

THE EUROPEAN JOURNAL

THE JOURNAL OF THE EUROPEAN FOUNDATION



CROATIA AT THE CROSSROADS ROGER HELMER MEP & JOEL ANAND SAMY



SARA RAINWATER • OLIVER KAYE • IAN MILNE
EDWARD LEIGH MP • CHRISTOPHER ARKELL • TONY LODGE
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Old and New – Facing Reality

THE PAST SIX MONTHS have seen elections in countries of both Old and New Europe: Italy, the Czech Republic and Hungary. These recent elections have one factor in common. None have produced strong, stable governments capable of bringing about lasting, essential reform. Unfortunately, weak and timid government is a persistent characteristic across the EU25.

Hungary has recently witnessed open and sustained rioting in the streets of Budapest – the worst since 1956 – over Prime Minister Ferenc Gyurcsany's admission to lying over the state of the economy in order to win the elections last June. Gyurcsany also said his Government had achieved nothing during its previous four years in power. This is bad news for Hungary which is plagued by problems that cry out for good government. Hungary's deficit is now 10 per cent of GDP, by far the highest in the EU; the problem has been greatly exacerbated by Hungary's poor record in collecting taxes and other state revenues, and an inability to impose rigorous checks and controls on state spending.

In Poland the main governing party, Law and Justice, has ruled for almost a year in a series of shaky coalitions, due to the recurrent yet petty feuds which have plagued Law and Justice and its potential coalition allies, the liberal-conservative Civic Platform. At the moment, Polish Prime Minister Jaroslaw Kaczynski is trying to cobble yet another coalition together, with the chances of an early election being called ever more probable.

A whole host of other problems beset Central and Eastern European Member States, the majority stemming from the lack of stable government, which brings with it discontent, declining competitiveness, sleaze and subversion. However, the situation in the EU15 is not too far removed.

Italy has had 60 governments since 1945 and the latest budgetary crisis may well spell the need for another. Romano Prodi is hamstrung by the demands of Brussels and the terms of the *acquis* and his wafer-thin majority in the Senate, which prevents him from enacting substantial reforms and puts him at the mercy of the radical elements within the coalition. Italy badly needs less regulation, greater competition and lower public spending, but this is highly unlikely under the current conditions.

The Labour Party in the UK seems more concerned with the leadership question than the running of the country. Tony

Blair's announcement in September that he will step down within 12 months provoked a veritable civil war among the ranks of Labour – one which may not be resolved until the leadership itself is. With this in mind, the UK will be lumbered with a weak and divided government for the foreseeable future. Even when a new leader is in place, it is unlikely he will command the authority required for strong government.

Jacques Chirac's authority – or lack thereof – was epitomised earlier this year over the botched attempts to implement the youth employment contract. With unemployment at around 20 per cent for 18 to 25 year olds, France needs measures to ease labour markets, but the lack of authority in Chirac's government, notably by Dominic de Villepin and the President himself, meant the law was scrapped.

With large parts of Old and New Europe paralysed by lack of strong leadership, low economic growth and high unemployment, is it really the right time to be bringing yet more members into the club? Bulgaria and Romania – both predominantly agricultural states – are poor, with incomes around one-third of the EU average. Although the two countries are set to join the EU this January, it is patently clear neither are ready.

This point is implicitly acknowledged in the long list of safeguard measures which the Commission has imposed upon the two countries in case either regresses. This is just another example of how the EU is failing. Rather than sticking to its guns, the Commission all too often lowers its 'strict' accession criteria to accommodate lacklustre attempts at reform in candidate countries. The inability to enforce standards at this early stage leaves accession states in an unstable situation.

A handful of the eight ex-communist countries that joined the EU in 2004 – namely Hungary and Poland – were not ready either. This is manifested today by the problems in their leadership, poor public administration and weak political structures.

What the EU needs to do now is face up to reality. Many see the solution to this political malaise as 'more Europe': a Constitution, the extension of QMV, deeper integration and a final consensus on further enlargement. These are dangerous, not to say ludicrous, suggestions which will fail and invariably serve only to worsen the situation.

from the editor

Dear reader,

The hot topics in EU politics last month were the accession of Bulgaria and Romania, which is taking place on 1 January, and the problem of over-regulation. The British media was saturated with stories on John Reid's plan to curb migrants from the two new Member States and the overall impact immigration from Eastern Europe is having on British business and employment. There were also countless stories about how Gordon Brown promises to tackle the red tape issue and the revelation that, shock horror, the majority of British businesspeople think the EU is failing and Britain's relationship should be renegotiated back to a free trade association. Two serious issues facing British business, but it is only the tip of the EU iceberg, I'm afraid.

Last month, I also had the pleasure of visiting some of our most distinguished Conservative MEPs who are fighting our corner in Brussels. It was an enlightening trip, one I aim to make at least once a year to remind me why I feel the way I do about the EU. Witnessing the Euroland spectacle firsthand made me proud to be Eurosceptic and proud to question Brussels' authority.

Whilst in Brussels, I also attended a conference on Croatia hosted by Roger Helmer, MEP, who has kindly co-authored the lead article on page 5, which looks at the problems facing the country today. Pages 14 to 18 recount two perspectives on the current status of Gibraltar from Tony Lodge and Maurice Xiberras. Edward Leigh, MP, examines the possibilities for improving financial management in the EU on page 12, and Ian Milne comments on two interesting reports of the costs of EU/eurozone membership on page 8.

If you are up for the journey to Prague, I hope to see you at our conference on 13 November, which promises to be an extremely interesting event.



Brussels Takes On New Media

by Oliver Kaye

WHY does the Commission exist if not to create regulation? If it did not over-regulate, then the restaurants and cafés around the Berlaymont would be out of business. This is why when Viviane Reding, Commissioner for Information Society and Media, and her colleagues in the Commission saw the beginnings of a boom in new media, they felt uncomfortable leaving such a large sector unregulated, despite countless examples of the merits of self-regulation. The European Parliament and the Council of Ministers have now been furiously debating over the last few months the Television Without Frontiers Directive.

The problem for new media is that many services are being regulated that have not even been invented yet, stifling these creative industries before they have a chance to flourish

The problem for the EU is that much of new media is internet based, and the internet is the ultimate regulation breaker, in that if regulation becomes too stifling, businesses can simply move outside the EU. The best type of regulation is one that struggles to keep up with technology, correcting any obvious problematic areas. The problem for new media is that many services are being regulated that have not even been invented yet, stifling these creative industries before they have a chance to flourish. What we are seeing here is the EU looking to regulate one of the areas that should be a driving force behind the Lisbon Agenda.

The best example is that of YouTube. Regulators became aware of YouTube only after it was bought for £1.6 billion by internet giant Google. Commission officials confidently explain that the Directive is future-proof and that sites such as YouTube will not fall under the scope of the regulation. It may be true that YouTube does not today, but what they forget is that the highly innovative website is currently changing its business model almost every other month

as it increasingly hosts material that can be considered an 'economic activity' and is making 'editorial choices', just a couple of the criteria required for a broadcaster to fall under the scope.

Culture should be bottom up and not top down, particularly in the EU

An underlying theme that runs through the Television Without Frontiers Directive is the promotion of 'European culture' and the protection of our moral development through limits on advertising and product placement. For example there is a serious call for adverts not to promote activities that could be seen as being detrimental to the environment or to show minors in dangerous situations. This is a very noble thought, but surely culture should be bottom up and not top down, particularly in the EU. When proposals are put forward that certain percentages of content must be European, countries such as Spain and the UK have every right to believe this to be unfair as they both have strong rivals outside Europe who share the same language, unlike, for example, Sweden.

The minds of regulators are still very much set in the broadcasting world where only limited channels existed. Most don't appreciate that today we live in a multi-platform, multi-channel world, where the viewer is the ultimate regulator. Even so, there are strong calls to regulate advertising and product placement universally across the EU, particularly from the European Parliament, including many who are calling for a complete ban on product placement. However, many in the EU forget that there is a world outside of Europe and that it will be impossible for the EU to block programmes containing product placement coming in from the USA or South America.

It is quite possible that the European Parliament will in future ban broadcasters from advertising more than once every 45 minutes, as recommended by the Industry Committee. We should be placing more faith in market forces; if there are too many adverts, the viewer will simply change channel (or with TiVo, fast forward) and broadcasters will respond accordingly. This

is even before going into the problems posed to those who watch programmes on their mobile phones or computer. This allows for very limited flexibility to innovate with new advertising techniques, which will keep up with new technologies such as TiVo. Again we will see a decline in revenue streams, which will eventually lead to a decline in the quality of European production, exactly what the regulators do not want.

A likely outcome of the Directive is that advertising during children's programmes will be banned, as this is deemed to have a detrimental effect on the development of children. What many are refusing to hear is that 66 per cent of revenue from advertising is invested back into the production of children's programmes. Channels will be left with no option but to broadcast cheaper Japanese and American cartoons, rather than European produced programmes.

We will be left with a level European playing field with no European players

The question remains – is such regulation irrelevant? In many ways, the answer is yes. The EU, for all it says, cannot effectively block media services coming in from outside of the EU. Consumers will still be served with content broadcast from America or Norway. However, businesses that might have set up in EU Member States will now consider relocating elsewhere, taking investment with them. Other unintended consequences might be that, for example, if product placement is banned, European advertisers will simply place their products in American programmes, giving contracts to American sales houses that they know are going to be shown in the EU. Entire revenue streams may be lost, adding to Europe's relative decline in competitiveness. The phenomenal pace at which the lucrative new media, which craves limited regulation, is moving will leave Europe behind. There will be no European equivalent to YouTube. We will be left with a level European playing field with no European players.

Oliver Kaye is the assistant to Syed Kamall, MEP for London and 'shadow rapporteur' on the TVWF Directive.

Croatia at the Crossroads

by Roger Helmer, MEP, and Joel Anand Samy



At a conference in the European Parliament on 13 October, hosted by Roger Helmer, MEP, and organised by the free-market think tank The Adriatic Institute, the parlous state of Croatia's legal system came under the spotlight. The conference was attended by Vesna Škare-Ozolt, the former Minister of Justice of Croatia, who was fired in February having upset the old guard by her determined pursuit of an anti-corruption programme.

IN 1991 Croatia emerged from the wreckage of the former Yugoslavia. This small nation of 4.5 million inhabitants is surrounded by such countries as Hungary, Slovenia, Serbia, Bosnia–Herzegovina and the newly formed independent nation state of Montenegro. Croatia enjoys a 1,000 kilometre coastline on the Adriatic Sea and is situated across the Adriatic from Italy. The Greeks, Romans, Venetians, French, Austrians, Hungarians, Italians and Germans all at one time or another conquered and ruled over the lands of Croatia.

After World War II, Tito's Yugoslavia began as a communist state and later developed into a 'socialist nation'. Croatia's

independence was won after a bloody war that was fought in the early 1990s during the break-up of Yugoslavia. During the Balkan conflict, Croatia suffered heavy losses, including the lives of innocent civilians and the destruction of homes, hospitals, churches and schools. During its quest for independence, several generals of the Croatian forces were indicted for war crimes by the UN's International Criminal Tribunal for the former Yugoslavia (ICTY). The recent arrest of General Ante Gotovina was a condition set by the EU to give Croatia the green light in starting the arduous process of negotiations to join Brussels.

Many who witnessed Croatia's desperate attempt to cut its ties from Belgrade and gain independence are surprised at how swiftly this small nation has allowed Brussels to begin exerting greater control. Croatia's willingness to replace Belgrade with Brussels remains a mystery. It appears that the EU incentives dangled in front of Croatia's political élite have given them reason to speed ahead in joining the European Union. Croatia may be motivated by security concerns, but these could easily be resolved by its partnership with NATO and with international forces on the ground in Bosnia–Herzegovina and Kosovo.

Internal Challenges

Croatia is a picturesque nation with a pristine coastline and tourists and retirees flocking to spend their holidays or purchase real estate, yet there appear to be some rather unpleasant realities. There is more than just the turbulence created by waves crashing on the beaches as the country faces internal tremors, with widespread corruption, increased organised crime activity and most importantly the lack of an independent judiciary. Croatia's government appears to cater to crony capitalism and corruption rather than taking robust measures in combating these challenges.

A recent article in the *European Voice* (27 July 2006) written by Edward Lucas, *The Economist's* Central and Eastern Europe correspondent, caught our attention:

"The [Croatian] authorities have just been criticized by the International Federation of Journalists for appointing a number of political cronies to the board of HINA, the main news agency (and that in itself is odd: why does the state have anything to do with the media anyway?). Some journalists say that advertising from state-owned industries is used to reward friendly media outlets and withdrawn from critical ones. One local think-tank compares Ivo Sanader, the Croatian prime minister, to Vladimir Putin of Russia. That may be too harsh. But there is an interesting analogy.

"Just as the top-heavy and incompetent Russian state survives thanks to the rents (unearned income) from the country's oil and gas wealth, Croatia's stodgy economy lives off the rents of tourism. The country scores very poorly on indexes of economic freedom: labour laws are restrictive, taxes high, foreign investment puny."

Despite protests from within Croatia and from the international community at large, the government has gone ahead and installed its political cronies to the main news agency. The government's control and influence over both state-run and commercial media is disconcerting, as elections are scheduled for November 2007. Freedom of speech is regrettably being undermined in Croatia.

A recent report produced by the European Union, *Assessment Mission Croatia, July 3-7, 2006 – Observations in the field of the fight against organized crime*, unveiled a range of concerns. One of the most serious issues is that Croatia is situated on main smuggling routes (persons, drugs, vehicles, weapons and explosives) and according to

the investigative report, trafficking in human beings has significantly increased in recent years. Routes towards countries of the Balkan region are also used *"to smuggle synthetic drugs produced in Western European countries, as well as stolen cars."*

The assessment also highlights the following concerns:

- The traditional forms of organised crime are still the most significant and common in Croatia: illegal migration, smuggling of narcotics, trafficking of arms, counterfeiting of money, etc.. In addition, organised criminal groups are attempting to use their illegally gained assets to invest in real estate and other legitimate business activities. Thus they manage to legalise their 'dirty money' and make additional profits and can even present themselves as successful businessmen.
- There is no official agreement between the Police and the Croatian National Bank on the exchange of information on counterfeited currencies.
- The Republic of Croatia does not yet have a special strategy for fighting illegal trade and smuggling of firearms.

EU accession criteria require reforms to the judicial system, an independent judiciary and strategies to combat corruption. Yet it is worth noting that Bulgaria and Romania have been allowed to enter without fulfilling the 'strict measures'. This example reflects the EU's inability to enforce its own criteria in this area.

Attempts at reform

Croatian Prime Minister Ivo Sanader's administration initially sent a positive signal to the international community and foreign investors when it selected Vesna Škare-Ožbolt as the Minister of Justice after the 2003 parliamentary elections. Škare-Ožbolt's bold judicial reforms and initiatives to combat corruption began to make an impact and the results of the two-year reform campaign are visible in the World Bank's 2007 *Doing Business Report*.

However, the reforms in the judicial system and the fight against corruption and organised crime came to a complete halt when Prime Minister Sanader sacked Škare-Ožbolt in early 2006. Reformer Škare-Ožbolt was replaced by Ana Lovrin, party loyalist and former mayor of Zadar (a seaside city known for organised crime). This substitution at the top Justice post later came under scrutiny by the independent business weekly, *Business HR*, for abuse of power and links to corruption.

In the middle of 2006, the Sanader administration presented a watered-down version of anti-corruption strategies that had first been presented by Škare-Ožbolt, which included clearly outlined tough goals, objectives and deadlines for each proposed measure. The watered-down version scrapped the plan to remove political cronies from supervisory boards of state owned companies. Once again, the Croatian government sent the wrong signal by failing to clearly support a tough anti-corruption strategies initiative.

The Recent debate

The issues discussed above were recently debated by Vesna Škare-Ožbolt (Croatian MP and former Justice Minister), Snježana Bagić (State Secretary, Croatian Ministry of Justice) and Natasha Srdoč (Adriatic Institute) during an event held in the European Parliament on 13 October 2006, which was chaired by Edward Lucas from *The Economist*.

The debate showed that Croatia's justice system is severely flawed with over 1.4 million backlogged cases in a population of 4.5 million people, has a plethora of unresolved land registry cases (UK citizens may wish to take extra precaution and engage in due diligence when purchasing property), lacks an independent judiciary and has a weak state prosecutor's office. Furthermore, the debate revealed that Croatia's government is experiencing challenges within the Cabinet – Ministers and senior MPs are facing corruption allegations, conflicts of interest cases and are serving on state owned enterprises prepared for privatisation.

Such a flawed judicial system combined with entrenched corruption at the centre of power does not bode well for Croatia's ability to combat corruption and reduce the influence of organised crime. In fact, according to *The Index of Economic Freedom* published by The Heritage Foundation and *The Wall Street Journal*, international businesses often require arbitration outside Croatia rather than using the local courts to resolve disputes.

The absence of the rule of law and the lack of an independent judiciary in Croatia recalls an interesting statement relayed by Nobel Laureate Dr Milton Friedman when he reflected on Russia's privatisation in the 1990s that went awry:

"We have learned about the importance of private property and the rule of law as a basis for economic freedom. Just after the Berlin

Wall fell and the Soviet Union collapsed, I used to be asked a lot: 'What do these ex-communist states have to do in order to become market economies?' And I used to say: 'You can describe that in three words: privatize, privatize, privatize.' But I was wrong. That wasn't enough. The example of Russia shows that. Russia privatized but in a way that created private monopolies – private centralized economic controls that replaced government's centralized controls. It turns out that the rule of law is probably more basic than privatization. Privatization is meaningless if you don't have the rule of law. What does it mean to privatize if you do not have security of property, if you can't use your property as you want to?"†

Croatia's government expenditure as a percentage of GDP is approximately 51 per cent – the highest in Eastern Europe. 40 per cent of the economy is owned by the government and further privatisation has stalled as the government promotes 'government-private partnerships' in the areas of tourism and real estate. With corruption at an all-time high, observers are concerned that this new initiative, called Croatia's 'new deal', will lead to a new wave of criminal capitalism.

During Prime Minister Sanader's term, Transparency International's *Corruption Perception Index* – which ranks over 150 countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys – concluded that Croatia had slipped from 59th place in 2003 to 71st in 2005. Moreover, the World Bank's *Doing Business Report 2007* ranked Croatia 124th out of 177 nations; this is in comparison to 2005 where Croatia was ranked 118th. The World Bank's report also places Croatia bottom of its group, Eastern Europe/Central Asia, alongside Ukraine, Belarus, Tajikistan and Uzbekistan. Albania, Bosnia-Herzegovina, Serbia, Macedonia and Montenegro, once perceived as being behind Croatia and so worse-off, are now ahead of Croatia.

Brussels-bound?

These statistics and observations on Croatia undermine its case to join the EU. Is the European Union prepared to embrace nations that do not uphold the rule of law? Will the European Union hold to its strict criteria that were applied to countries like Estonia, which is now experiencing a robust economic growth rate of 12 per cent and just 30 per cent of government expenditures as percentage of GDP?

On the other hand, how can the European Union press nations to reform when its own institutions are growing more bureaucratic and where a command and control structure in Brussels undermines free markets and liberty? There is much to be done within the European Union in pressing forward with reforms and creating a flexible Europe of nation states, not a monolithic country called Europe.

Croatia once belonged to such a union that was called Yugoslavia and all the nations that were a part of this 'free trade zone' ended up breaking away from Belgrade's command and control. There are striking parallels between the fate of Yugoslavia and the prospects for the EU.

Advancing liberty, economic freedom, democracy and prosperity are goals worth pursuing. Dr Friedman describes this best in his book, *Free to Choose*, when he highlights the importance of economic freedom:

"Economic freedom is an essential requisite for political freedom. By enabling people to coordinate with one another without coercion or central direction, it reduces the area over which political power is exercised. In addition, by dispersing power, the free market provides an offset to whatever concentration of political power may arise. The combination of economic and political power in the same hands is a sure recipe for tyranny."

The United Kingdom has a unique opportunity to advance reforms within the

European Union and to encourage nations beyond the EU's borders to press ahead with free market reforms based on the rule of law and protection of property rights. For Croatia's hopeful citizens, 'reforms for the EU' should be replaced by 'free market reforms for its own future.' The experiences of Eastern Europe's tigers such as Estonia and Slovakia clearly show the importance of implementing reforms first.

Such should be the goal of Croatia's government: advancing economic freedom by upholding the rule of law, establishing an independent judiciary, combating corruption and implementing free market reforms. By striving for growth and prosperity through reform, both Croatia and Europe would benefit.

† Source: The meeting of the Economic Freedom of the World network late in 2001 in San Francisco, where questions were directed to Rose and Milton Friedman. The above quote is part of an edited excerpt from the discussion – Cato Institute, Washington, DC.

Roger Helmer is a Member of the European Parliament for the East Midlands and a member of the European Foundation's UK advisory board. Joel Anand Samy is co-founder of Adriatic Institute for Public Policy and International Leaders Summit on Economic Growth and is co-author of Flat Tax: The Case for Tax Reform in Croatia with Natasha Srdoc.

Advertisement for the Adriatic Institute for Public Policy

More Costs than Benefits

For once, it is not the British who are pointing out the shortfalls of EU membership. Ian Milne takes a look at two new critical reports. In his first article, he analyses a report by the highly regarded French policy group Conseil d'Analyse, which is composed of eminent French economists including Dominic de Villepin. The report finds the situation of the euro 'perilous', citing France, Germany and Italy as countries which are specifically unable to make the necessary reforms, but curiously does not recommend changing the current institutional framework.

The second report, this time by the Swiss Government, is a comprehensive cost-benefit analysis of EU membership. In his review, Milne focuses on how the Swiss see the impact of EU membership on their economy and sovereignty; unsurprisingly the current EFTA-style arrangement is preferred in both areas. EU membership would cost the Swiss almost nine times as much as it does now and would give a voting weight of just 2.7 per cent in the European Parliament.

The first report serves as a stark warning to the UK and other Member States who have not yet adopted the euro and the second remains a tantalising reminder of what is in store when, not if, the UK renegotiates her membership.

Earlier versions of these articles appeared in eurofacts (22 September and 6 October).

The Single Market and Single Currency haven't made any difference, says official French report

"Europe's economy's a failure, and it's all the fault of the EU system of governance."

So what's the solution? "More Europe, naturellement!"

The *Conseil d'Analyse Economique* is a bit like a supercharged No 10 Policy Unit. It has its own permanent staff and its own office on the Left Bank not far from the Matignon, the official residence of the Prime Minister. Its part-time members comprise about 40 of France's best-known economists from both the public and the private sectors, including a couple of dozen university professors, the director of the INSEE (the equivalent of our Office for National Statistics) and mandarins in charge of departments at the Banque de France and at various ministries. The President of this eminent body is the Prime Minister himself, Dominique de Villepin. This, in short, is a serious outfit.

The main authors of its report on *Economic Policy & Growth in Europe*[†] are Philippe Aghion, a Harvard professor; Elie Cohen, research director at Sciences-Po; and Jean Pisani-Ferry, director of the Bruegel Institute in Belgium and professor at Paris IX-Dauphine. There are essays by another ten equally prestigious economists. The report consists of 300 pages of closely argued analysis of the EU's economy: diagnosis, conclusion and recommendations. At the back is a seven-page summary in English.

The importance of this report is not so much in what it says about the EU's (and especially the eurozone's) poor performance, devastating though it is: many in the UK have been covering the same ground for at least a decade. Its significance is that all this is being articulated and discussed at the apex of the Europhile politico-economic establishment of the country which regards itself as the originator of the European project: France.

Failure: Diagnosis...

The English summary begins thus:

"... the USA enjoys faster economic growth than the euro area and ... continues to maintain a higher standard of living ... the following analyses are generally proposed to explain the persistence of these gaps:

- Europe's weaker economic performance is due to Europeans' preference for leisure as opposed to work...*
- Europe suffers from weaker demand that may be attributed to a history of restrictive macroeconomic policies;*
- The dominant analysis maintains that Europe's growth lag is the result of a combination of incomplete economic integration*

and insufficient structural reforms among the Member States, particularly reforms in labour, goods and services markets;

- The last explanation is that the problem is not so much with 'Europe', but with Germany, France and Italy. These countries, unlike the smaller and faster-growing members, are unable to make the necessary reforms...*

The authors do not systematically reject the above explanations but feel that no single one is satisfactory ... for the authors, deficiencies in the EU's economic policy system are a main cause of inefficiency and slower growth..."

In the main text, they explain what they mean by the "EU's economic policy system": the combination of the division of powers between the various 'agents' (vertically between Brussels and the Member States, horizontally between EU institutions); of the objectives assigned to each of the 'agents'; of the associated control mechanisms; of the procedures of coordination (or their absence) between 'agents'; and finally the recommendations or instructions or exhortations or signals that the economic policy leadership addresses to these 'agents' (page 25 of the main text). They note that all attempts at 'clarifying' the respective roles of

the 'agents' have been counter-productive, and that the system just gets more and more complicated and confusing. They acknowledge that subsidiarity has turned out to be a dead duck (page 28). The economic principles on which the system is constructed, as well as the economic signals it emits, are "dysfunctional" (page 39).

The authors refer to the "disturbing" conclusions of recent OECD and IMF studies which point out that when it comes to market liberalisation, the EU has neither done more, nor moved faster, than other developed and less-developed countries (page 42). They quote Gideon Rachman of the *Economist* asking, in 2004, "Is it fair to give credit to EU institutions for what is a result of globalisation, and, in the other direction, is it fair to impose a single institutional model on all new EU Member States?" They conclude (page 63) that, "analysis of structural indicators for markets in goods, labour and capital do not suggest that EU membership has had a significant impact on the nature of or the speed at which reforms have been carried out. The EU has simply been part of a wider movement..."

To return to the English summary:

"... no sudden burst in the trade of goods and services has been observed since the Single Act entered into effect in 1993, nor since the euro was introduced in 1999, as was seen [in North America] after the NAFTA agreement was signed in 1989. The price convergence that EU monetary union was supposed to bring also did not occur, and convergence even came to a standstill in 1999... The authors believe that these problems may largely be attributed to the EU's institutional shortcomings."

"Economic integration has stagnated and no longer promotes growth. The euro's creation has not produced the knock-on benefits expected. The increase in trade has been relatively modest and financial and credit markets remain segmented. The single currency even seems to have had a 'numbing' effect on the EU members, which no longer need to protect against a foreign-exchange crisis and have become complacent in their efforts to control spending and make structural reforms. Moreover, the euro area's macroeconomic framework has become obsolete. Furthermore, the Lisbon strategy has become bogged down in procedures and has degenerated into rhetoric."

On page 268, at the end of her essay on 'The effects of the euro on trade flows', Narcissa Balta (one of the ten auxiliary contributors to the report) observes ruefully

that, "*The actual experience of the euro is the opposite of that predicted by [monetary union] theory ... there is a [minor] positive impact of the euro on exports from non-member countries to the eurozone (but not in the other direction) ... it's as if the euro has worked as a one-way valve.*" [Incidentally, discussing the unreliability of trade data, she mentions the 'Rotterdam (-Antwerp) Effect', confirming that this distortion is not just a British concern.]

Describing the inability of EU politicians to make up their minds whether they want to stick to intergovernmentalism or transfer all essential power to Brussels, the report observes (page 130):

"Unable to decide on objectives and a decision-mechanism, Europeans [sic] have been reduced to multiplying procedures which take up the energy of civil servants, ministers and MEPs but fail to engage with the effective decisions of Member States."

"We are convinced that the situation we describe is perilous: the inability of the EU to revive the economy turns investment away from the continent; persistent under-employment and anaemic growth undermine social provision; and the combination of agonising economic problems, poorly-managed enlargement and a manifest exhaustion with community procedures all threaten to trigger a vicious circle which will unravel the acquis communautaire."

So, what is to be done?

... but no cure in view.

Given the report's damning analysis, and its pinning the blame for the shambles squarely on EU governance in its widest sense, the answer is obvious. No doubt it crossed the minds of the highly intelligent authors and of the *Conseil d'Analyse Economique* as a whole. Dump the said superstructure and replace it with a NAFTA-type arrangement which, as the report acknowledges, actually works.

Such a proposition, coming from the Prime Minister's own think tank, less than a year after the French 'No' to the Constitution, just over a year ahead of the French presidential election, and overturning the core 55-year old domestic and foreign policy of France, would, needless to say, have been unthinkable. Instead – to quote again from their English summary –

"... the authors do not however recommend changing the current institutional framework since they feel that attempting institutional changes would be costly and not very realistic..."

And, having brilliantly and conclusively exposed the cause of the EU's economic problems – the EU itself – the authors' solutions for the EU turn out to be: 'More Europe!'

Their recommendations are deployed in intricate technocratic detail on pages 136–152. There are three main themes: more economic integration, (essentially 'deepening' from Brussels); 'reforming' the economic governance of the eurozone (essentially diluting its anti-inflation policies); and 'fine-tuning' the interaction between 'structural' policies and macroeconomic policies. The solutions involve lots more rules, directives and regulations and the setting up of even more 'high-level' committees. Without all this, they warn, "*Europe will end up as predicted by Gordon Brown [in his 2005 pamphlet, *Global Europe: Full-employment Europe*], irrelevant politically and irrelevant economically.*"

One example: control of university education would be removed from Member States and run by Brussels, under a 'European Research Council', the objective being to "promote the emergence of ten or twenty world-level teaching and research universities" – financed of course by Brussels. This could take some time: Harvard, the world's number one, is almost 400 years old; Cambridge, the world's number two, almost 800 years old. And, at page 171, the report points out that, "*The former East Germany has been heavily subsidised for 15 years with no decisive impact on either its growth rate or its labour market,*" bringing to mind Keynes' famous remark: "*In the long term we'll all be dead.*"

Nevertheless, an excellent report

In spite of the fundamental (but understandable) incoherence between diagnosis and remedy, this is an admirably dense, thorough and fascinating report. The bibliography alone cites 120 publications and covers every significant work on the EU and the euro in the last thirty years, many of which have been reviewed or reported on in these columns. All those concerned in the UK with the impact of the EU will find nuggets not just of information, but also of deep-seated French mindsets which, however baffling to mere Anglo-Saxons, underpin much of the *projet européen*.

If, for example, there are people in the City who still don't believe that Paris is genuinely determined to de-throne London

from its pre-eminent position as the European financial centre, let them inspect the evidence set out on page 164, where Philippe Herzog, a former French MEP and now professor at Paris-X Nanterre, discusses “the risk [sic !] of a euro-atlantic ensemble dominated by New York and London”, and poses the question, in all seriousness: “Is London’s quasi-monopoly of financial services good for growth in Europe?”

In the UK, the EU is ‘sold’ to a sceptical public overwhelmingly on economic grounds. Here, from the heart of the French establishment, is the incontrovertible proof that all those EU directives, regulations, committees, ministerial ‘summits’, institutions, legal judgements, working groups – in short, the entire *acquis* – are, as far as the economy’s concerned, pointless. If you can read French, get this

report; if you can’t, get someone who can to go through it for you.

† *Politique Economique et Croissance en Europe*, Aghion, Cohen, Pisani-Ferry, ISBN: 2-11-006149-9, March 2006, available in pdf at www.cae.gouv.fr; as a paperback from: La Documentation française, 29-31 quai Voltaire, 75344 Paris Cedex 07, Tel: 00 33 1 40 15 72 30 www.ladocumentationfrancaise.fr.

Government Publishes Cost-Benefit Analysis of EU Membership

AT LAST, a European government has published a proper cost-benefit analysis of EU membership. It comes as no surprise that the government in question is not the one that sits (and occasionally governs) in London. No, the government concerned is a grown-up one (on matters European, anyway): the Swiss Federal Government in Berne.

Their *Europe 2006 Report*,¹ published at the end of June 2006, is an admirably serious and comprehensive analysis of the costs and benefits of EU membership. Apart from the absence of economic analysis on the current state (dismal) and future prospects (dire) of the Single Market, and a tendency to assume that the EU is self-evidently a good thing, the report is remarkably honest. Its language is free of political correctness: it spells out bluntly and unequivocally the hundreds of areas in which Switzerland would lose sovereignty – yes, *sovereignty* – if it were ever to join the EU. (But then Switzerland is just about the only genuine parliamentary democracy left in Europe.)

The authors insist that, “Switzerland must define its ... relations with the EU in such a way as to always be able to defend [Swiss] interests ... Switzerland’s relationship with the EU must not be considered as a simplistic ‘to join or not to join’ question... It is not so much a question of whether or not Switzerland should be a member of the EU, as of finding the best way and the appropriate [policy] instruments for the government to achieve Switzerland’s fundamental goals and foreign policy objectives.” Quite so.

The authors emphasise that those “instruments” are not inflexible: “The major and frequent changes to which the EU, and to a lesser extent Switzerland, have been subject on a regular basis, call for a fluid relationship, both internally and externally. The instruments can therefore be adapted and new and

hitherto untried types of relationship may emerge. These can also be seen as no more than stages in an open process, the purpose of which is to eventually find solutions that will enable Switzerland to defend its interests with the greatest chance of success.”

Hence, the report examines a range of alternatives. These are, broadly:

- to continue the current set of Swiss-EU bilateral sector-specific agreements;²
- to join the European Economic Area (EEA);
- to become a full member of the EU.

Costs & Benefits

The report quantifies the ongoing budgetary cost to Switzerland of each of the three alternative ‘policy instruments’. These are summarised in the table. It can be seen that full EU membership would cost almost *nine times* as much as the current system of bilateral agreements, based on the estimated Swiss gross contribution to the EU budget, or over *six times* as much based on the estimated Swiss net contribution. (The projected Swiss gross contribution to the EU, if it joined, would be similar, pro-rata to its population, to the UK actual gross contribution, which in 2005 was £15 billion). Joining the EEA would be significantly more costly than the current Bilateral Agreements, but still miles less costly than joining the EU.

Annual Cost to Switzerland of alternative relationships with EU: 2007-2013

	Swiss francs millions	Index
Continue Bilateral Agreements	557	100
Join EEA	737	132
Join EU (net contribution)	3,400	610
Join EU (gross contribution)	4,940	886

The authors point out that these budgetary costs do not reflect the “dynamic” knock-on or induced effects of costs – and benefits – associated with each alternative. Curiously, they do not cite any of the numerous reports by the Commission and others quantifying the current underperformance of and the depressing outlook for the Single Market. They do however state that, “the negative economic effects (higher real domestic interest rates on joining the euro, net contribution to the EU Budget) are likely in the short and medium term to outweigh any positive effects resulting from full Single Market integration.” On the euro, they note that, “the adoption of the euro has frequently been associated with higher prices,” citing opinion polling by the Commission in November 2005 in which 93 per cent of respondents across the eurozone said that the advent of the euro had put prices up.

The “negative economic effects” referred to above take account of two factors, one of which is the net contribution to Brussels. The report also examines in detail the impact of EU membership and the other alternatives on the Swiss economy as a whole and on Swiss-EU trade flows (60 per cent of Swiss exports go to the EU, and 80 per cent of Swiss imports come from the EU). It warns, rightly, that such evaluations are difficult. It notes that EU customs duties on imports of goods from outside the EU are almost double Swiss duties, and that EU minimum VAT rates are higher than Swiss VAT rates. The raising of Swiss customs barriers and VAT rates on joining the EU would have a negative effect on the Swiss economy. To some extent, those extra costs would be offset by savings in respect of Swiss-EU trade, partly resulting from the reduction at frontier crossing-points of export and import documentation and procedures if Switzerland became a full

member of the EU Single Market, partly to the price-lowering pressure – to the extent that it actually occurred – from fully opening Swiss markets to EU imports.

Swiss agriculture, like that in the EU, is highly-protected, though less-subsidised. In examining the impact of joining the EU the report looks at the prospects for the CAP, including the possibility that the ‘review’ due to take place in 2008 (the one that Mr Blair accepted in return for giving up a large part of the British rebate) would actually result in some ‘reform’. Its conclusions are pessimistic: *“One must not count on any fundamental change in the present EU agricultural policy.”*

Transferring sovereignty on joining the EU: Consequences

The report makes no bones about the extent of the sovereignty that Switzerland would give up (to Brussels) if it were to join the EU, and the effect that that would have on Swiss citizens’ democratic rights, including on the extraordinary autonomy and independence that its cantons have enjoyed for centuries. In return for giving up sovereignty, it says, Switzerland would be able to participate fully in EU decision-making. It spells out what this would boil down to in the European Parliament: fewer than 20 seats out of 732, or a voting weight of less than 2.7 per cent.

When it comes to the far more important forum for EU decision-making, the Council of Ministers, the report notes that the most frequently used system of voting is qualified majority. It states, correctly, that the key feature of this system as EU enlargement continues, and as the veto is given up in more policy areas, is that the bigger Member States lose influence, as do the smaller members. (It omits to state that the result can only be that the permanent EU bureaucracy, mainly the Commission and the Court of Justice, gains power.)

The report lists the number of votes that each of the current 25 members has in the Council. At this point – humankind can stand only so much reality after all – the authors lose their nerve. They can’t quite bring themselves to spell out just how insignificant Swiss voting power would be if it joined the current EU. This reviewer estimates that the maximum voting weight the country would get would be 2.7 per cent – a fairly meagre return for eviscerating your democracy and imposing on your economy costs which far outweigh the benefits.

Switzerland and Europe

Switzerland, with a population of 7.2 million, is not a member of the EU but is surrounded on all sides by EU (and eurozone) countries: Germany, Austria, Italy and France. Around 70 per cent of Swiss foreign trade is with the EU. (For the UK the comparable proportion is around 40 per cent.) The Swiss economy exhibits low real growth (averaging 1.7 per cent per year for the period 1998 – 2007, which happens to be the arithmetic average of the growth rates of its four EU neighbours over the same period). Switzerland’s GDP per capita was 57 per cent higher than that of the eurozone in 2004; it has low unemployment, low government borrowing and a high savings ratio.

Switzerland has been a member of EFTA since 1960. Its fellow-members are Norway, Iceland & Lichtenstein. It has had a Free Trade Agreement in industrial goods with the EC/EU since 1972. The Berne Government applied to join the EEA (the European Economic Area, which consists of EU25 plus Norway, Iceland & Lichtenstein) in 1992, but the Swiss people by referendum refused their consent. Seven sector-specific bilateral Swiss–EU free trade agreements (Bilateral Agreements I) came into force in 2002; a further nine (Bilateral Agreements II) in 2004.

Switzerland joined the United Nations in 2002. It has its own seat – and exercises its own vote – in the World Trade Organization, which is headquartered in Geneva. In line with its policy of neutrality, which began in 1515 and (except under Napoleon between 1798 and 1812) continues to this day, Switzerland is not a member of NATO.

The Report’s Conclusions

The policy of the Federal Government in Berne is to join the EU (provided the Swiss people consent by referendum, which looks unlikely at the moment). Thus, the application to join, lodged by Switzerland in 1992, *“has not been withdrawn”*. Joining the EU, says the report, is *“considered to be a long-term option”*. Holding out the prospect of joining eventually as a full member helps no doubt to persuade Brussels to continue negotiating further bilateral agreements with Berne, whose economic leverage vis-à-vis Brussels is not strong: Switzerland takes only 5.7 per cent of EU25’s goods exports (the UK takes 16.4 per cent).

The report concludes that Switzerland’s interests are best served by continuing to develop the existing system of bilateral sector-specific agreements with the EU – so long as that system allows the country the freedom of manoeuvre that it has at present. That freedom is restricted by the ever-increasing legal and regulatory constraints of the *acquis communautaire*, which will inevitably increase. (It must be said however that those constraints appear to be felt more by Swiss politicians than the population as a whole, who seem not to share their leaders’ enthusiasm for the EU.)

The quantification of costs and benefits occupies a minor part of the report. Its main value to non-Swiss readers is in the extensive description, in great detail, topic by topic,³ of the EU’s institutional arrangements and policies, and the assessment of the pros and cons of the present arrangements between Switzerland and the

EU. The report is the mirror image of what will be the outcome of exercises currently being undertaken by those in the UK who wish to defend British interests by radically changing the current UK–EU relationship.

- 1 *Europe 2006 Report*. The condensed English version runs to 12 pages; the full report in French is 157 pages & in German 164 pages. www.europa.admin.ch
- 2 Described in Global Britain Briefing Note No. 36, Nov 2004, *Cherry-Picking*, www.globalbritain.org
- 3 These include: agriculture; air transport; competition policy; consumer protection; currency/monetary union; environment; free movement of goods, services, capital & people; immigration & asylum; industrial products; infrastructure; internal security; labour market; police & judicial cooperation; public finances; public health; rail & road transport; research & development; services; social security; Swiss direct democracy (referendums); Swiss federalism (cantons & federal government); Swiss neutrality; tax.

Ian Milne has been the Director of the cross-party think tank Global Britain since 1999. He was founder editor (in 1993) of The European Journal and the co-founder and first editor of eurofacts. He is the author of numerous pamphlets, articles and book reviews, mainly about the relationship between the UK and the European Union. His most recent publications are A Cost Too Far? (Civitas, July 2004) and Backing the Wrong Horse (Centre for Policy Studies, December 2004).

Improving Financial Management in the EU

by Edward Leigh, MP

THOSE OF US who have taken an interest in European affairs over recent years will be all too familiar with the chorus of concern that greets the annual report of the European Court of Auditors. For each of the last 11 years – by the time this article is published the Court will have reported again – the Court has effectively qualified the accounts of the European Community.

Although the Court has reported some improvement in recent years, it continues to point to problems with the legality and regularity of transactions in key areas of expenditure such as on Structural Measures and parts of the Common Agricultural Policy. This continuing problem has grabbed attention at the highest political levels within the European Parliament and Commission. The Budgetary Control Committee of the European Parliament has been very active in pushing for improvement. And, in January 2005, Jose Manuel Barroso, President of the European Commission, made it a strategic objective of his Commission for 2005-06 to strive for a positive Statement of Assurance.¹ Given the scale of the financial management issues to be addressed, however, the aims of the Barroso Commission are, by its own acknowledgement, highly ambitious.

What role has the UK Parliament played in urging change? The House of Commons' Committee of Public Accounts, supported by the work of the Comptroller and Auditor General, has been very active in this area. Each year the Comptroller and Auditor General reports to the Committee on results of the European Court of Auditors' work and the progress being made to achieve improvement.

In 2005, the Committee of Public Accounts undertook its own inquiry, drawing upon the Comptroller and Auditor General's report and Committee visits to the European Court of Auditors in Luxembourg, the European Commission and the European Anti-Fraud Office (OLAF – *L'Office Européen de Lutte Antifraude*).

The Committee's report, *Financial Management of the European Union*, published in April 2005,² raised a number of significant issues. We were concerned, given the size of the European Union's budget and the United Kingdom's contribution to it, whether sufficient emphasis was given to the need for sound financial controls and

robust financial management by the institutions of the European Union.

The Committee noted that accountability and audit arrangements in the European Union had been characterised by inertia amongst its institutions. The high levels of fraud and irregularity generally thought to exist in the European Union had damaged its reputation and the successive years of qualified accounts had only given credence to this view.

In our view, trying to obtain a positive Statement of Assurance on the EC accounts would be hopeless without dramatic changes to the Common Agricultural Policy and the Structural Funds to make them simple to control, thereby avoiding high levels of error and fraud.

The heterogeneous nature of the European Union can act as a hindrance to sound financial management

The degree of complexity that currently exists is challenging. Expenditure in the European Union now takes place in 25 countries and across six expenditure headings. Member States are organised differently – some have federal structures, others have autonomous regions, and they employ different methods for distributing funds to final beneficiaries such as farmers. The heterogeneous nature of the European Union can act as a hindrance to sound financial management.

This organisational complexity is compounded when individual schemes become complex – making them difficult and costly for Member States to administer and frustrating for those at the receiving end coping with the bureaucracy. Schemes and programmes, particularly those implemented under the Structural Measures, have a propensity to lead to a high number of errors and therefore to qualification. The Committee drew parallels with the experience of the UK Department of Work and Pensions where complex schemes had led to the Department's accounts being qualified in successive years. We recommended that the European Commission consider the

relationship between the desired outcome of a particular scheme, the complexity of the rules governing it, and the consequential likelihood of an error occurring.

Getting a clear picture of whether the situation is improving or not was not helped by the difficulty we had in obtaining a clear indication of the extent of the problems related to the legality and regularity of European Union expenditure. We recommended enhancements to the European Court of Auditors' annual report to address this problem: a clearer assessment of legality and regularity of each of the six areas of the budget and an indication of progress compared with the previous year (both in relation to each of the six expenditure headings and each Member State).

In addition to the concerns we expressed over the qualified audit opinion, the Committee highlighted the level of irregularities, including alleged fraud, reported by Member States to the European Commission. In 2004, this was €978 million, some five per cent more than the previous year. We identified that the precise level of irregularity and fraud is unknown and difficult to calculate. This arises for a number of reasons, for example, Member States report irregularities and fraud in an inconsistent manner. Trends and progress are therefore difficult to assess. We supported OLAF's work in developing a methodology for estimating the levels of fraud within individual sectors of the budget. We understand that OLAF intends to extend this work to differentiate between fraud and irregularity.

Whilst we had clear concerns about the current state of financial management in the European Union, and the prospects for improvements, we identified some areas where the European Commission had made some progress in improving financial management. The European Court of Auditors identified improvements in the quality of the annual reports intended to enhance the accountability of each Directorate-General and that the Commission had made good progress in designing internal control systems. We welcomed the introduction of a new accruals accounting system and the establishment of an Internal Audit Service.

The Committee also welcomed the commitment of the Barroso Commission to move towards a positive Statement of Assurance as part of the process of enhancing

accountability in the European Union. The Committee were pleased to see, as part of this, the introduction by the European Commission of a roadmap towards a positive Statement of Assurance. The Committee looks to the Government to press for the improvements in financial management that are an essential pre-requisite for the European Court of Auditors to provide a positive Statement of Assurance.

Since the Committee reported, the European Commission has published an action plan intended to help improve its performance. It remains to be seen whether it achieves its goal of a clear certificate.

In recent months, the House of Lords European Union Select Committee (Sub-Committee A) has been conducting an

inquiry into the Management and Audit of European Community expenditure and accounts. In evidence to that Committee in June the Comptroller and Auditor General, Sir John Bourn, suggested that Member States might each prepare some form of consolidated European Union account bringing together the European Union money spent in each state. This account would be prepared according to International Accounting Standards and audited by the national audit office of the country concerned according to international auditing standards. The certified account would be presented to national Parliaments. In this way different countries would have to be much more explicit about what they did with the money they received. This idea

would seem to have much merit, providing a much clearer focus for seeing what European taxpayers are getting for their money. The debate on how best to secure better financial management in the European Union looks set to continue.

- 1 Strategic Objectives 2005-2009, Europe 2010: A Partnership for European Renewal, Prosperity and Solidarity.
- 2 Committee of Public Accounts, Eighteenth Report of Session 2004-05, HC 498

Edward Leigh is the Conservative Member of Parliament for Gainsborough and Chairman of the UK Committee of Public Accounts.

Prodi Power

by Christopher Arkell

IN AN EXTRAORDINARY REVERSAL of precedent, the European Court of Justice ruled, in a decision released on 3 October 2006, that Italy's regional tax (known as IRAP) does not contravene European law. The Court's decision went against two previous opinions of its Advocate General, itself a rare event, and against years of rulings against Member States who have retained, or attempted to introduce, forms of turnover taxes in opposition to the specific rules set out in the Sixth VAT Directive. The government of Italy, headed by Romano Prodi, the former President of the European Commission, no longer faces the prospect of having to repay £82 billion to business taxpayers.

Many commentators are puzzled by the ruling. Jonathan Bridges, senior manager in the EU Law Group at KPMG, said: *"This is a real surprise and an unprecedented move... [The] decision is completely contrary to not just one but two Advocate General's Opinions... We did not expect the Court to overturn the fundamentals of earlier Opinions... It is open to speculation whether the Court's interpretation of the rules has been influenced by the vast sums at stake and economic difficulties Italy would have had had the decision gone the other way..."*

Bridges has put the matter too delicately, and it is worth drawing a bolder conclusion. If the Italian Government were to have lost the case, and been forced to repay £82 billion, it would have breached its eurozone budgetary limits, not just this year, but for an indefinite number of years ahead. The

euro would have come under such strain that either Italy would have been forced to withdraw from the currency, or the exchange value of the currency itself would have collapsed. It would also have suffered a huge blow in international confidence. Alternatively, the Prodi Government would have been forced to put up other national taxes, such as income and corporation tax, by substantial margins which would have brought about its fall, and a severe deflation in the Italian economy.

Yet the Italian Government has got away with it. In this respect, the Prodi connection cannot be emphasised too much. Prodi is an academic economist by training; he was head of several industrial enterprises in Italy in which the Italian state was a major shareholder; he is the Italian most favoured by the European Commission's grandees (the permanent heads of the administration rather than the Commissioners); and he has excellent relations with Merkel in Germany and Chirac in France. He has the technical, political and personal connections to bring influence to bear on the Court. Though he will never admit doing so, we do not need his admission to see the result of his influence. The Court has decided in Italy's favour against its own long line of precedents and against the opinions of its own advocate.

The Italian tax in question is specifically prohibited by the EU Treaties and the Sixth VAT Directive. These permit one, and only one, turnover tax – VAT. There is no other way to interpret the texts involved, and

The European Court of Justice is not a court of law, but a chamber of political convenience

several other Member States have had their own turnover taxes overturned. Others are regularly brought before the ECJ. The UK itself faces a challenge on its waste disposal tax (a form of VAT on landfill sites) which it was previously expected to lose even though the UK has designed its tax regulations to fit into the EU's VAT regime extremely carefully. Landfill tax not only generates substantial income for the Treasury (though nowhere near as much as Italy's IRAP), but it supports the environmental policies of the EU. To overturn it, especially after the IRAP decision, will demonstrate with astral clarity that the European Court of Justice is not a court of law, but a chamber of political convenience.

It will also demonstrate that the UK will never have any influence whatsoever in the decisions of the European Union and its institutions – until it announces its timetable for withdrawal.

Christopher J. K. Arkell is an accountant specialising in tax and is Editor of London Miscellany. He has written extensively on European issues.

The Gibraltar 'Deal' – A Sell Out or Real Progress?

by Tony Lodge

"A Stone in Spain's Shoe" was how King Juan Carlos referred to Gibraltar during a State visit to Britain in the 1980s. The King and Queen of Spain had even boycotted the wedding of Prince Charles and Lady Diana Spencer in 1981 when they learnt that the couple would start their honeymoon in Gibraltar. Set against the long and turbulent history of Gibraltar's relations with her neighbour, a deal has been signed between the main parties – in Spain – in an attempt to normalise relations and end this prickly dispute. Supporters of the deal claim British sovereignty has not been weakened; its detractors disagree.

RECENT HISTORY OF THE DISPUTE

It is difficult for many modern Europeans to understand or comprehend that there is a corner of the EU where British European citizens are still struggling to obtain a number of fundamental rights, which other EU citizens have taken for granted for over thirty years. It is a corner of Europe which has suffered but stood firm against bullying from its land neighbour, faced down countless sieges (the last one ended in 1985) and endured years of guarded support from its mother country – Great Britain.

Gibraltar is Britain's last colony in Europe. This small peninsula, famous for its huge limestone rock and military history, represents a community which is both vibrant and forward-looking. The Gibraltar finance centre, shipping, tourism and the Rock's crucial military importance underpins Gibraltar's quality of life and represents a community which has acted with admirable foresight and determination in light of a declining defence budget and the need to diversify into other industries.

For years Gibraltar has represented a diplomatic headache for the Foreign Ministries in London and Madrid. General Franco's decision to close the land frontier in 1969 condemned Gibraltar to 16 years of isolation. Franco's decision to maintain a blockade by land, sea and air was a response to Gibraltar's refusal to give up British sovereignty (which they have enjoyed since 1704) and come under Spanish rule. A referendum in 1967 rejected Spain's 'offer' by 12,138 votes against and 44 in favour. Families were separated and thousands of

Spanish workers were barred from going to work in the British naval dockyard and elsewhere, effectively condemned to low pay and unemployment in Spain.

In 1984 Spain agreed to lift the blockade in exchange for an agreement, the 'Brussels Declaration', under which the UK would agree to discuss co-operation with Spain and the issue of sovereignty whilst making clear (unilaterally) that no change of sovereignty could take place unless it enjoyed majority support in Gibraltar. At the time Gibraltarians were told that Spain had to lift its blockade in order to join the then EEC – Madrid breached the fundamental principles of free movement at the heart of the Treaty of Rome. The land blockade was lifted but the sea and air blockade remained.

Set against Spain's determination to join the then EEC, the British Government failed to capitalise on its strong hand and set clear demands on Spain over Gibraltar. Britain's decision not to threaten to veto Spanish accession to the EEC if Gibraltar relations were not normalised was a huge opportunity lost. Either politicians of the period succumbed to Foreign Office vacillation or were not aware or made aware of this opportunity to help Gibraltar.

Consequently, Spain has used its membership of the EU to impose draconian and illegal restrictions on Gibraltar. It has used its veto to block the application of Community law to Gibraltar. Until 2000 this state of affairs meant that British Gibraltarians were being denied rights as citizens of the EU simply because it was easier for Britain to prioritise Spanish concerns and attempt to secure Spanish support in the Council of Ministers.

Then Spanish Prime Minister, José María Aznar, warned Tony Blair in 2001 that he wanted results in Spain's favour on Gibraltar. Blair was prepared to listen and act. He urgently needed Spanish support in the EU and was keen to move in tandem with the Spanish position. Spain was one of the very few European powers which committed troops to Iraq and was christened as being part of 'New Europe' by the Americans. Blair heralded his special relations with Spain and Italy.

Blair's attempt to share the sovereignty of

Gibraltar with Spain was famously defeated in the November 2002 Referendum. 88 per cent of the Rock's voters turned out and delivered a 98.5 per cent vote against sharing sovereignty with Spain. This was a vote organised by the Gibraltar Government against the wishes of the Foreign Office. Their plans for joint rule had been torpedoed and were in tatters. However, importantly the then Foreign Secretary, Jack Straw, had made a Statement to the House of Commons on 12 July 2002 proclaiming joint sovereignty. Crucially, this Statement has still not been withdrawn.

THE TRIPARTITE DEAL – CORDOBA, SPAIN, SEPTEMBER 2006

The arrival of a PSOE socialist Government in Madrid prompted by the 11 March 2004 terrorist attack changed the mood music and the approach from Spain. A PSOE Government had, in 1985, opened the border which Franco had closed in 1969. The governments of Spain, Britain and Gibraltar launched a tripartite forum in October 2004. It was described as being outside the Brussels negotiating process, which is temporarily shelved.

The practical agreements which emerged in mid-September after two years of tripartite negotiations have already caused controversy and stirred opposition on the Rock. The talks have provided for an agreement that would allow Gibraltar to be integrated into European air liberalisation and permit flights with Spain for the first time in over 30 years, and gain recognition by Spain of Gibraltar's international telephone system and improve cross-border traffic flows with the establishment of red and green channels at the frontier. A Spanish cultural institute will also be opened in Gibraltar.

Controversially, the agreement will require UK taxpayer's money for Spanish pensioners who were stopped from entering and working in Gibraltar when their own Government closed the border in 1969. 12,000 Spanish workers crossed into Gibraltar at this time and many of them have been campaigning for their pensions since the gates closed. It is expected to cost the British Government anywhere between £40 – £60 million to solve the pensions claim. Critics

have argued that it is extraordinary that Spain should be rewarded with such vast sums of money for the consequences on its own citizens of the restrictions it imposed on Gibraltar for wishing to remain British.

Their pension contributions were left to gather interest in a bank until Geoffrey Howe, as Foreign Secretary in 1984, rather naively agreed to pay the pensions on the basis of EU law. When this promise turned out to cost Britain £180 million plus, the pension scheme was frozen in 1989. The pensioners look set to receive their unpaid increases if the deal is fully implemented.

Gibraltar is a vibrant democracy. The governing Gibraltar Social Democrats (GSD) have staked their electoral reputation on the deal which was negotiated by their leader, the combative Chief Minister, Peter Caruana. The GSLP/Liberal Opposition has vowed to block the key elements of the deal if elected. The new Progressive Democratic Party (PDP) has also rejected the Airport Agreement and categorically stated that if elected in the forthcoming general election it will also not be bound by the Agreement.

On the Airport Agreement, the Gibraltar Opposition GSLP/Liberals argue that it represents a direct incursion of UK sovereignty: *"Any question of sovereignty over the airport, the isthmus or anywhere else is entirely bilateral between the United Kingdom and Gibraltar alone and has nothing to do with Spain."* They have argued that with the building of a new airport terminal comes crucial problems of jurisdiction and control. They claim that passengers

departing from Gibraltar would be cleared by Spanish immigration and customs and once in the departure lounge would be treated as in Spain for customs and immigration purposes. They also claim that the proposals would require all people coming in from Spain who were flying to a Spanish destination to go straight to a departure lounge without passing through any Gibraltar customs. One question which must also be addressed is what classification would an Iberia flight from Madrid to Gibraltar carry? Would it be a domestic flight or an international flight?

The GSD rejects the Opposition's claims and argues that the deal, involving 'enhanced' use of the airport, sends a strong message globally to investors that Gibraltar is moving forward and has dropped the siege mentality.

The GSLP/Liberals have also argued that Spain has hardly made concessions to Gibraltar when it has been widely accepted that they have been in breach of EU law anyway – on the free and unhindered movement of traffic at the frontier, which they promised to properly address when the frontier re-opened in 1985.

The Opposition have vowed to block the key elements of the Agreement and have declared that they will not be bound by it if they are elected to office. A general election is expected in Gibraltar within 12 months, possibly in the Spring. Joint use of Gibraltar airport was initially floated in 1987 but was overwhelmingly opposed by the local population and dropped. The GSLP Leader, Joe Bossano, has pointedly asked, *"What*

would Spaniards think if I were to propose the joint use of the port of Algeciras?" The GSD maintain that the airport will remain under British Ministry of Defence Control and will not house Spanish customs officials.

The Chief Minister told the Gibraltar Chamber of Commerce last month, *"In one fell swoop we have cleared the decks of some of the most thorny and intractable issues distorting the normality of our lives here in Gibraltar. Gibraltar cannot condemn itself to remaining stuck in the siege mode and mentality of the past."*

Controversially, the Agreement will not be put to a referendum in the colony, thereby allowing the other parties the opportunity to mop up the votes of those who are opposed to the deal.

The Tripartite Agreement is a huge and symbolic development in Gibraltar's unique evolution. It represents Gibraltar's coming of age after years of struggle for recognition with Spain. She has taken her seat at the table with her own priorities and objectives, alongside Britain and her land neighbour. But the extent to which the deal is a step too far and a move towards a greater Spanish dimension in Gibraltar's affairs is now for the electorate of the Rock. Only they can take this decision and the British Foreign Office should stand aside and cease from involving itself in an internal democratic decision.

Tony Lodge is the Vice Chairman of the Conservative Friends of Gibraltar. He is a former Editor of the European Journal.

Gibraltar: Swords into Ploughshares?

by Maurice Xiberras

STALWART DEFENDERS of Gibraltar's British sovereignty can rest assured that the Cordoba Agreement reached by the UK, Spain and Gibraltar does not signal a British weakening on the issue.

Nor is there anything in the Agreement on which to base such a view. If there had been it would not have stood a ghost of a chance in Gibraltar, at Westminster or in the UK at large, where support for British Gibraltar remains as strong as ever.

Swords will be merely sheathed, in case they are needed again, politically speaking, but not turned into ploughshares. Spain cannot expect any other disposition from Gibraltar, whilst she maintains her sovereignty claim.

SIGNIFICANT SPANISH CHANGE

President Zapatero's socialist Government would not have risked such major policy change in Spain's approach to Gibraltar if he did not intend to make the Cordoba Agreement work. How significant a change it is can be judged from the reaction of Spain's Opposition, the Partido Popular (PP).

Their leader, Mariano Rajoy has cried betrayal accusing Miguel Angel Moratinos, the present Foreign Secretary, of signing an Agreement that *"does nothing about sovereignty"* and of ditching the common policy of all his Spanish predecessors in office. His parliamentary spokesman has said his compatriots should not be surprised that

Zapatero 'gifted' Gibraltar to the British as a reward for Blair's help in dealing with the Basque problem. As they see it, Gibraltar is a further example of their Government's weakness on a whole range of issues, foreign and domestic, which has polarised Spanish politics even more than usual.

Yet in a revealing exchange in the Spanish Parliament's Foreign Affairs Committee, former Foreign Minister, the Catalan Josep Piqué, gave the Agreement that guaranteed his Party's qualified support, maintaining that in office the PP would have followed a similar policy. Previous methods had not brought Spanish sovereignty any nearer. Moratinos commented that if they had succeeded, they would not still be there

discussing the issue of Gibraltar. There were even references to Spanish 'aspirations' to sovereignty, instead of the Spanish 'claim', an indication of movement in the direction similarly taken by the Republic of Ireland.

Spain, it is clear, has not gone into this Agreement from a position of strength. For all the bluster about maintaining their sovereignty claim, as a 'policy of State', the fact is that Gibraltar's 2002 Referendum on Joint Sovereignty laid waste the prospect of the sovereign powers resolving the issue above the heads of the Gibraltarians – the UN route is blocked and, with the defeat of the European Constitution, by far the most dangerous threat to Gibraltar lifted.

THE CORDOBA AGREEMENTS

Indeed, the texts of the Agreements 'do nothing' to advance Spain's claim to sovereignty.

The agreement on the Airport, the only one at issue, is explicitly "*understood to be without prejudice to the respective legal positions with regard to the dispute over sovereignty and jurisdiction over the territory in which the airport is situated.*"

This 'without prejudice' formula is not a new one. It was already around in the late Sir Joshua Hassan's day (Gibraltar's *pater patriae*) and as he used to say, not without controversy then, it allowed Spain to keep her claim, whilst we kept Gibraltar.

What made it difficult to implement then was the persistence of an active policy of harassment aimed at strangulating, and later emasculating, Gibraltar through a policy of restrictions against Gibraltar's economy. This was coupled with an unrelenting political campaign against Government and people which, having started in 1954 with the visit of HM the Queen, reached its climax in the closure of the land frontier and the withdrawal of Spanish labour (1969), and did not stop with the death of Franco (1975) and the opening of the frontier in 1985.

It is this policy of harassment as the instrument for the 'recovery' of sovereignty that Zapatero has forsaken by the Cordoba Agreement and has outraged Rajoy. Moratinos still repeats over and over that his country's sovereignty claim stands, to the annoyance of the Gibraltarians. But he insists that Spain will be pursuing it through economic cooperation with Gibraltar in the economic interest of the whole geographical region and in the hope that it will facilitate a solution to the 'sovereignty issue'.

Many in Spain still believe, however, that surrendering the leverage of sanctions and

pressure means giving up on sovereignty – a *de facto* acceptance of an indefinitely British Gibraltar, including the isthmus, and see Moratinos' protestations to the contrary as a *de iure* fig leaf to cover up this *de facto* recognition.

GIBRALTAR OPINION

In Gibraltar, there is some division of opinion. Opposition Leader Joe Bossano has refrained from condemning the Agreement outright but added that he would not be bound to implement its 'bad parts'. These include what the Agreement terms 'an administrative' arrangement allowing passengers 'in transit' within the Schengen Area to avoid Gibraltar customs and immigration checks; 50 per cent commercial participation by a Spanish concern in the operation of the single terminal on British soil; and the setting up in Gibraltar of a Spanish 'Cervantes Institute' on a site provided by the Gibraltar Government with a Spanish flag being allowed to fly from the premises.

It is significant that Bossano has not challenged the "*sovereignty, jurisdiction and control*" free nature of the Agreement. But with a general election imminent, it is logical that he should not embrace the Agreement wholesale.

Every Gibraltarian would argue that the restrictions should have been withdrawn as unilaterally as they were imposed – a morally unassailable argument. Spain, they argue, has conceded nothing that she should have had in the first place.

A more realistic majority, however, knows that without negotiation Spanish policy would have remained unchanged indefinitely, whilst a few wish no reconciliation at all with Spain.

Gibraltar is not the only long-standing dispute in the world where the prospect of 'peace' divides and excites opinion at a political or popular level. A strain is placed on political responsibility, now greater in the highly charged party political atmosphere of an impending general election, on which the fate of the Agreement may hang. It has the declared support of the Trade Unions, commercial organisations and other representative bodies. But there is a popular view that the Agreement is the beginning of the end for British Gibraltar and should be de-railed.

SPANISH 'CONCESSIONS'

In this climate therefore it may not be politic to talk about Spanish 'concessions' at

Cordoba. But by the Agreement, Spain has finally accepted Gibraltar's DDT (350) freeing up expansion of telecommunications and making possible 'roaming' mobile agreements, much needed by Gibraltar's burgeoning finance centre. She has undertaken to liberalise cross-border traffic consistent with her Schengen customs obligations. Gibraltar's exclusion from EU 'Open Skies' legislation, engineered by Spain, will be reversed within six months on the joint submission of the UK and Spain, and over-flight of Spanish territory will come into operation making straight-on approaches over Gibraltar Bay possible and more safe. Gibraltar will become an 'international airport', from which Spain is not excluded, with a single terminal on British soil with access from either side of the frontier.

If these are not 'concessions', they are certainly 'climb-downs' or 'reversals of policy', even if the policy aim continues to be stated. Involving as they do international organisations – the EU, NATO, ICAO etc. – they may be greeted with some polite clearing of throats, or from a different perspective, some relief (the European Commission has already issued a gushing statement of welcome). From a Gibraltar perspective, registering these 'changes' internationally will make their reversal more difficult, though not impossible, with a change of Government in Spain – a good reason not to turn swords into ploughshares just yet.

THE *DE FACTO* POLITICAL AND ECONOMIC BALANCE

Important as these 'concessions' are, the significance of the Cordoba Agreement is, I would argue, political in a broader sense. It marks a shift in the underlying political dialectic between Gibraltar on one hand, and the UK and Spain on the other – decidedly in Gibraltar's favour.

The 1987 Airport Agreement, for example, was the creature of the infamous Brussels Agreement, whereby the two sovereign powers agreed to negotiate sovereignty bilaterally, as a condition for the opening of the border and the lifting of restrictions. The outcome was predetermined – the transfer of Gibraltar to Spain. The naval dockyard had been turned to commercial use, and the economy was in tatters.

Explaining why he accepted the 'bilateralism' of Brussels, then Chief Minister, Sir Joshua Hassan, wrote to his biographers after the event:

"The economy was at its lowest; the prospects were very bad; it was a decision I had to take myself... The full opening of the frontier was a sheer necessity to survive." (Hassan letter of 5 October 1994 quoted by Jackson and Cantos, p. 258)

That Airport Agreement was signed by Geoffrey Howe and Fernandez Ordonez. In terms, language and staging of implementation it was a disgrace for the Gibraltarians, who amid demonstrations and by their refusal to approve necessary legislation in the House of Assembly, brought it down.

The Brussels Agreement has not been withdrawn, but 'bilateralism' has been rendered inoperative. In a letter from the UK Secretary of State to Gibraltar and to his Spanish counterpart, the UK Government has stated that no meetings under it will take place unless the Gibraltar Government is 'content' with such a meeting, an essential assurance formally repeated in the UN's Fourth Committee (a policy applied also to the Falklands recently).

Gibraltar's Chief Minister will by definition continue to be a constituent participant in the Tripartite Forum, which produced Cordoba. He will continue to have the power of veto over all decisions. The Forum's agenda will be 'open' – a policy agreed by both Government and Opposition in Gibraltar. Thus in complete contrast to the Blair Government's shameful Joint Sovereignty agreement with Spain, devastatingly rejected and defeated by Gibraltar's 2002 Referendum, all discussion, negotiation and agreement will be tripartite and not bilateral. Spain's insistence that sovereignty is a 'bilateral' issue is more a safeguard against the Gibraltar Government claiming Gibraltar sovereignty, than entertaining any prospect that sovereignty will be taken completely out of Gibraltar's hands. 'Bilateralism' is incompatible with the level of Gibraltar representation in the Forum, and the new Spanish policy of cooperation depends in the continued existence of the Forum.

THE NEW GIBRALTAR CONSTITUTION

Gibraltar's negotiations with the UK Government on the new Constitution have run 'parallel' to the trilateral negotiations, but there is no doubt that, whilst denying Spain any *locus standi* in agreeing Gibraltar's Constitution, there have no doubt been significant points of contact between the two.

To an interested observer, the major

stumbling block to constitutional agreement was Bossano's insistence on the unqualified and continuing right to self-determination figuring in the text or in the new preamble, and not unconnectedly, that the whole exercise should result in decolonisation and the de-listing of Gibraltar by the UN as a colony. This would have given Gibraltar the right to independence at some time in the future with the approval of the UK. Although all political parties stand for self-determination in the above sense, all maintain that the choice of independence is 'academic', since none want it at present.

It became clear, though officially denied, that Madrid would not sign any co-operation Agreement until the Constitution was agreed. Inclusion of the offending right would in Madrid's view breach the Treaty of Utrecht (1713) by which Gibraltar was ceded to the English Crown.

That this adherence to Utrecht was also the long-established and oft-repeated view of all UK governments did not seem relevant to Bossano. Whereas the rest of the Gibraltar delegation was prepared have their reservation on self-determination recorded in the constitutional 'Despatch', Bossano threatened to oppose the new Constitution in the 'decolonising' referendum to follow. In real terms, if the Constitution foundered, the Cordoba Agreement would have been at best postponed and at worst wrecked.

Eventually Geoff Hoon produced a formula, which did enough for Bossano: the constitutional referendum would be an exercise of the right of self-determination, but the Despatch firmly reiterated the UK Government's adherence to Utrecht and explicitly ruled out independence in the future without Spain's agreement. The new Constitution was rated 'non-colonial' by Peter Caruana and Geoff Hoon. Bossano agreed to support it on that basis.

THE TREATY OF UTRECHT DEA EX MACHINA

It is a supreme irony that the 300 year-old Treaty is intensely disliked by many Gibraltarians – not because it gave Britain possession in perpetuity, but because of its reversion of the sovereignty to Spain clause, if Britain surrendered it. Its anachronistic and insulting prohibition of the presence of Jews and Arabs in Gibraltar, now obviously a dead letter, and its curtailment of the right of self-determination, should hold the key to the whole situation and make possible agreement on both issues.

Spain has swallowed what she calls this "*internal right of self-determination*," though she still balks at it being recognised by the UN as an act whereby Gibraltar is removed from the colonies list.

Hoon's formula and Spain's acquiescence make one thing clear. Britain will not be midwife to such an independent state of Gibraltar, and Spain will fight it to the last. As Thomas D. Grant argued in his excellent article, 'Gibraltar on the Rocks', (*Policy Review* no 116), *rebus sic stantibus* will be a powerful consideration in the foreign policy of existing nation states when weighing up the political future of such enclaves, from Gibraltar to Taiwan. In the times in which we all now live, geo-political considerations are hugely important.

Faute de mieux, therefore, the Treaty of Utrecht serves the UK and Spain's purpose of denying an independent mini-state of Gibraltar, even if the Gibraltarians wanted one. But thought must be given to its renegotiation in terms which do not exclude the people of Gibraltar. Utrecht serves no other useful purpose than pre-empting the independence of Gibraltar.

THE PRINCIPLE OF CONSENT

It goes without saying that any weakening of the UK Government's position – any regression to undeliverable 2002 policies – will spell the end of this new phase. Almost 40 years later, the Preamble to the 1969 Constitution will be re-iterated in the new Constitution.

I believe that Spain has got the message that, whatever aberration seized the UK Government in 2002, the wishes of the people of Gibraltar will not be dishonoured by Britain; they are a reality that no one can ignore. To the dismay of the Spanish Opposition, the present Spanish Government has purposively attacked many aspects of the Francoist state, in the name of freedom, democracy and the principle of consent. The slate must also be wiped clean of Franco's policy of attrition against the people of Gibraltar in the name of the same values.

Moratinos himself is on record as saying that Spain could not impose a solution on Gibraltar. But for as long as the Spanish claim endures, even the most civilising of influences will be regarded by the Gibraltarians with a measure of suspicion.

Spain's formal acceptance of the principle of consent seems to me to be the next, though not the final, objective of UK/Gibraltar diplomacy.

PETER CARUANA

That such a small place like Gibraltar should throw up issues of such complexity for all involved is not new. What is new is that two 'parallel', but not unrelated, agreements should have been struck simultaneously. All three participants have shown a high degree of political courage and diplomacy, but none more than Gibraltar's Chief Minister. Peter Caruna has delivered a new 'non-colonial' Constitution, with which the majority of his fellow citizens appear to concur, and a 'cooperation' Agreement, free

of Spanish sovereignty, jurisdiction and control, on economic terms that are greatly beneficial to Gibraltar.

In the context of Anglo-Spanish relations, it marks the political and economic ascendancy of British Gibraltar and effective recognition by Spain that 'possession is nine tenths of the law', the other tenth still to be fought for. Swords, which politically-speaking past generations in Gibraltar, at Westminster and in the UK generally, have had to wield in earnest, are not going to be turned into ploughshares just yet.

In typically British fashion, there is no

guarantee that Caruana will be Gibraltar's Chief Minister in a year's time. But the Agreement is not re-negotiable, and the UK, Spain and the EU have the vested interest of maintaining good relations and the stability of the region, this time not at the expense of the people of Gibraltar.

Maurice Xiberras is a former Deputy Chief Minister and Leader of the Opposition in Gibraltar and was a member of the UK delegation in talks with the Spanish Foreign Secretary under the Strasbourg Process in the 1970s.

Advertisement for Conservative Way Forward

Of Fog and Funny Statistics

by Don Anderson

THIS JOURNAL published my Appraisal of our membership of the EU in August. I have also been sending it to politicians on all sides of the House, in the hope that they would think hard about how they are representing us. William Hague riposted by sending me a printout of his recent speech on the subject. He wants the UK to be participating energetically in an open, flexible Europe and to be leading it in an about-face turn from its current path of integration, over-regulation, protectionism and economic stagnation, so that it might stand some slight chance of competing with the emerging powerhouses of China and India. Worthy thoughts indeed, but it is laughable to think that he might be in any way more successful in bringing about this pie in the sky than any of his predecessors have been. He might as well try pushing a pea up Highgate Hill with his nose, as divert the EU from its obsession with gumming up its own works to the point of solidification.

Open and flexible? The EU has 39,000 bureaucrats working to keep it hidebound and ever more complex. Hague quoted a European Commission report, *Ten Years Without Frontiers*, as his authority for claiming that the Single Market makes a contribution to GDP worth £20 billion annually to Britain, and an annual increase to a European household of £3,800. This seemed so ludicrously untrue to me (I couldn't imagine why he had accepted and regurgitated it) that I made an effort to look it up. It was easy enough to find the document and I started to read. Then I started to speed-read. Eventually my eyes glazed over, my mind went into meltdown and I gave up. But I had discovered the secret of the EU bureaucrats. They spew out such incredible masses of stultifyingly boring jargon that no Minister or MEP could possibly comprehend what machinations are afoot, and heaven help the ordinary Joe who might want to know.

The Commissioners might be the ones who set things in motion, but plainly it is the 39,000 who create this sheer mass of anal retentive nit-picking that not even an educated person can read without his mind going into refusal. Thus is the indigestible porridge speed-voted through the European Parliament by bemused MEPs and delivered by the lorry-load to Whitehall

where its diktats are industriously gold-plated, just to be on the safe side. This illuminates the irreconcilable difference between the continental mindset based on the Napoleonic system, where everything is forbidden unless it is specifically permitted by law (and preferably licensed), and ours which is the reverse way about.

This accounts for why the proposed Constitution was 50 times longer than that of America (which works better), and ours, which we haven't even considered necessary to write down. Moses delivered economical one-liners such as 'Thou shalt not kill', which are still the most powerful edicts of all.

I am none the wiser as to how we can simultaneously be £3,800 per household better off, yet worse off by the £119 million a week we know EU membership costs the British taxpayers, after allowing for the return of some of our money in 'grants'. If you divide this by the number of households and multiply by 52, each one is worse off by some £450 p.a. On top of this direct tax, we pay over the odds for food because of the CAP/CFP (which is reported to add some £1,500 to a household's food bill), the highest cost for fuel and many commodities, the cost of housing and support for immigrants, the cost of EU regulation estimated at £20 billion that industry has to pass on, and the huge increase in the public sector and their pensions. A further cost, which is not generally taken into account, is the loss of the opportunity to enter into trade agreements in the world outside the EU, where countries afford each other the same benefits as we get in the EU trading bloc, but without the tariffs and few of the costs.

I suspect some propagandist in the Commission has divided the increase in overall GDP by 'x' number of households over some convenient period and, perhaps using a Slovakian farmer as a low datum point, calculated this sum as an average across the EU. This would obliterate any difference between the effect on households in net contributor nations and in the nations benefiting from our enforced charity. Neither am I convinced that fluctuations in GDP can be said to affect households like mine where the occupants are retired and, therefore, an average gives a totally misleading picture.

I have a feeling that this is the sort of misinformation the Labour leaders used to trot out – "There are 3 million jobs dependent on our membership of the EU," they'd say, as if it were a statistic. This figure was based on an academic study which employed indices, projections and guesswork, and would only have any relevance whatsoever to jobs in the event that UK-EU trade were to suddenly cease. It was therefore just political scare mongering. The GDP would similarly be unaffected unless we were to cut off business relations with the Single Market.

How can any government complacently accept the continual letting of our lifeblood, for no discernable benefit other than as a licence for self-important popinjays to attend conferences on lavish expenses, and mop up 'hospitality'? When will they take notice of the recent cost/benefit analyses carried out by four authoritative bodies into our relationship with the EU, none of which concludes that we derive any significant economic benefit at all?

We shouldn't have to live our lives regulated by the burdensome complexity being churned out by Brussels. A fog so dense that not even a constitutional lawyer can be sure he has mastered it, or a compliance officer be confident that his company is not transgressing the law. On airfields, in the old days, we knew that the only way of dispersing fog was to light a fire under it.

Our political classes are out of touch and letting us down

Mr Hague should acknowledge that it is not remotely possible that powers over social regulation and employment can be retrieved, especially under a leader who was unable to deliver on the only pledge he made. Very few of our electorate are in favour of EU membership, and the rest feel that our political classes are out of touch – and letting us down. The excuse that they were elected in order to show leadership can only be argued up to the point where the ignoring of popular feeling becomes betrayal.

Don Anderson is a retired company director, who worked in the advertising industry for 40 years.

The Year Ahead

by Dan Hamilton

A New Year, a New Leader

2007, unlike 2006, looks set to be an interesting year for the European Union.

January 2007 will see Hans-Gert Poettering step down from the position he has held since 1999 as President of the European People's Party group to take up the presidency of the Parliament.

Poettering, who has been described by even hardened Eurosceptics like Daniel Hannan as "*fair-minded*", would have to put in genuine effort to perform as badly in the President's Chair as the incumbent.

The socialist, former Spanish Treasury Secretary, Josep Borrell Fontelles' abrasive style has angered Eurosceptics and dedicated pro-Europeans alike. His blunders include the incorrect assertion that no Nordic countries were involved in World War II and the suggestion that EU policies towards the Ukraine have succeeded in spite of opposition from Poland and Lithuania "*acting under US influence*"!

With Poettering's accession to the presidency of the European Parliament, the EPP will be in need of a new President. This is, on the face of it, a great opportunity for the ailing group.

Will they endorse a reforming figure such as the Swede Gunnar Hokmark or the dashing Dutch MEP Camiel Eurlings who, despite their enthusiasm for a federal Europe, broadly share the Conservative Party's commitment to internal market reform and liberalisation? Will the group bow to pressure and accept that the European Constitution really is dead? Will Member State 'red lines' on foreign, defence and currency policy be embraced and safeguarded? Will the group become a champion for reform of the Common Agricultural Policy?

The answer to all of these questions is – *quelle surprise* – "*non*".

Eurosceptics wanting the Conservative Party to break away from the federalist EPP grouping could not have wished for a better successor to Mr Poettering than Joseph Daul, the Strasbourg-based sugar beet farmer who appears to be a lock for the job.

First elected in 1999, he has shown little enthusiasm in his current job as Chairman of the Agriculture Committee for reform of the ailing Common Agricultural Policy, which still accounts for around half of the EU's annual expenditure, and fought the last European elections on a platform of opposing Turkish membership of the EU.

At a time when the European Union is so badly in need of reform, Daul is a bizarre choice to say the least.

The US Dimension

With the United States Congressional elections of 7 November drawing ever-closer, the Democrats are certain to seize control of the House of Representatives, with the prospect of the Party gaining the Senate appearing to be an ever-increasing possibility. Whilst the incumbent Republican leadership of the House and Senate can barely be described as friends of those in the European Union seeking to encourage freer trade – one only need remember the Steel tariffs imposed by Congress in 2002 – the Democrats can only generously be labelled as enemies of the cause. Amongst those free-trade advocates facing near-certain defeat include Rep. Tom Reynolds, Chairman of the Republican Congressional Committee, and Senator Mike DeWine.

Reynolds' likely replacement, 75 year old industrialist Jack Davis, has declared he will "*fight to cancel all free trade agreements*" whilst DeWine's vanquisher, north-eastern Ohio steel-belt Congressman Sherrod Brown has penned a book entitled *The Myths of Free Trade* in which he rallies against the "*follies*" of globalisation.

Whilst time will tell whether the incoming leadership will entirely follow the Davis/Brown dogma on trade policy, Democratic control in 2007 will certainly mean a return to the imposition of EU/US manufacturing and agricultural tariffs and increased pressure for the US to withdraw from the World Trade Organization. The change of leadership will not mean free-marketeers have lost an ally in the form of a Republican-controlled Congress, but we will certainly be mourning the death of a critical friend.

New additions

The real test for 2007 is, of course, the accession of Bulgaria and Romania to the European Union amid genuine scepticism about the commitment of both countries to eliminating internal corruption and implementing market reforms.

Romania, in particular, has an opportunity to establish itself as a leading force in the future of the European Union. As the seventh largest Member State, the country's proximity to Asia and aspiring accession states such as Serbia, the Ukraine and Turkey is highly significant. How the reforming Liberal Prime Minister Calin Popescu Tariceanu chooses to use this influence will be significant. Will he be a genuine advocate for reform of the European Union's outdated institutions or will he, in the style of the Kaczynski brothers, fail to live up to his initial promise?

For those believing in market liberalisation and EU reform, 2007 will be a year of new and immense challenges. Prepare yourself.

Dan Hamilton is a member of the Conservative Way Forward Executive Committee. He can be reached at mail@danhamilton.co.uk.

... news in brief

As relations deteriorate between Russia and Georgia, a member of the Georgian opposition has denounced the 'political terror' which, she says, the government there is pursuing. Irina Sarishvili, who leads the Imeda movement and the Khena anti-fascist coalition, told journalists at a news conference in Moscow that Georgia has effectively been a dictatorship since the 'Rose Revolution' brought President Mikheil Saakashvili to power in early 2004. "*The Saakashvili regime has widely practiced political terror, including through murders*," she said. "*Death*

squads, directly subordinate to the dictator and his associates, are still operating in the country... Besides ordinary citizens atrociously killed by Interior Ministry officers, the circumstances of the death of Georgian Prime Minister Zurab Zhvania remain uninvestigated, and other citizens – members of parliament and the Tbilisi city assembly, political opponents of the regime – have been killed or brutally beaten." "I don't approve of the current relations between Russia and Georgia," she said, "I belong to a political group that believes that Russia and Georgia are being driven to a conflict by the West." [RIA Novosti, 5 October 2006]

INTELLIGENCE DIGEST

by John Laughland

Stoiber attacks European Arrest Warrant

The Prime Minister of Bavaria, Edmund Stoiber, has attacked the Government of Angela Merkel for failing to insert any safeguards into the proposed EU Arrest Warrant following the accession of Romania and Bulgaria. Stoiber has said that the justice systems of both countries should be specifically barred from being able to demand the extradition of German citizens to their countries, as the EU Arrest Warrant allows. He has said that protective clauses should be inserted to prevent this because organised crime and corruption have a considerable influence over both judicial systems. The European Union has itself said that the justice systems in both countries remain corrupt because it has inserted clauses into the accession treaties which allow financial penalties to be inflicted on the two states if their 'reforms' are judged insufficient. *"I demand that our citizens be protected from deficiencies in the rule of law, corruption and organised crime in Bulgaria and Romania by means of special clauses,"* Stoiber told *Die Welt*. The German Government says that it has inserted protective clauses but Stoiber responds that these must come into force as soon as the two countries join, i.e. in January. *"I cannot and will not accept that German citizens can be imprisoned in these countries,"* says Stoiber. [*Die Welt*, 24 October 2006]

EU–Russia meeting goes badly

The summit meeting held in Finland on 20 October between the Russian President and the heads of state and government of the European Union has not led to an agreement on energy policy. The EU has been trying to get Russia to sign an 'energy charter' since 1994 but Russia fears that it will permit foreigners to take control of its energy sector. EU leaders claimed that they wanted good relations with Russia but they did everything to undermine them, accusing Russia of protectionism and human rights abuses. Putin's patience snapped at one moment, when he was faced with a question about corruption in Russia. He said that the word 'Mafia' came from Italy and that Spain was currently facing a huge corruption crisis as mayors from all parties were being imprisoned for graft.

Prior to the summit, the President of the European Commission, José Manuel Barroso, called for the EU to adopt a unified energy policy. *"We must speak with one voice when negotiating with third parties,"* he said. This is diplomat-speak for attacking the bilateral agreement reached between Germany and Russia by the previous German Chancellor, Gerhard Schröder to build a pipeline under the Baltic Sea, i.e. bypassing Poland, a project which the Polish Defence Minister, Radek Sikorski, has likened to the Molotov-Ribbentrop Pact between Nazi Germany and Stalin's USSR in 1939. Mr Schröder, who lost last year's election, is now the head of the consortium building the pipeline. Since expressing their dissatisfaction with German policy, however, the twins who govern Poland have toned down their rhetoric, perhaps because they understand that the German presidency of the EU starts in January and that it will aim to determine the future of EU energy policy and of policy towards Russia. [*Célia Chauffour, Le Monde*, 20 October 2006]

On 25 October, the European Parliament formally requested that the EU place democracy, human rights and freedom of expression *"at the centre of any new agreement"* on future partnership with Russia. This resolution goes against what President Chirac said during the EU–Russia summit in Finland, when he declared that, *"There is no*

question of linking moral actions with economic actions." The resolution made reference to the murder of the campaigning journalist, Anna Politkovskaya, calling on the Russian authorities to undertake an independent inquiry into it. Speaking to the MEPs, the Finnish Prime Minister, Matti Vanhanen, admitted that the dinner with Mr Putin had been rather tense. *"It is true, it was very frank and open but we in Finland have a long tradition of open discussions with Russia,"* he said. (In fact, of course, during the Cold War, Finland was often excoriated for its supine attitude towards the Soviet Union.) [Philippe Ricard, *Le Monde*, 27 October 2006]

Hungarian opposition TV station fined

As 130 people were injured as police fired tear gas and rubber bullets at demonstrators during the ceremonies to mark the 50th anniversary of the Hungarian uprising against Soviet rule, the country's official media watchdog has imposed a 1 million forint fine (about £2,500) on a TV station owned by the country's main opposition party, Fidesz. This is the largest fine to date imposed by the body. According to the watchdog, Hír TV's broadcasts about riots on 18 September were biased, in particular because they allegedly attempted to *"present the incidents as revolutionary events and spoke of a new '56 and did not inform viewers objectively and factually."* During those riots, the building of the state television station, MTV, was attacked by protesters. Press freedom has been a constant bone of contention between the Hungarian parties since the end of communism. Supporters of Fidesz argue that the left-wing parties have harassed their media when in office, only to complain loudly to international organisations when the unfair advantages enjoyed by their outlets are curtailed while in opposition. [*Budapest Sun*, 19 October 2006]

Turkish accession could founder on Cyprus

Experts are speculating that the negotiations between the EU and Turkey could collapse over the Cyprus question. In an interview with an Austrian newspaper, Heinz Kramer, a political scientist who specialises in the EU's foreign policy, has said that he does not think that the Finnish presidency's current proposals will succeed in breaking out of the current impasse created by Turkey's refusal to take certain measures on trade with Cyprus which would amount to a near-recognition of the Greek Government as the legitimate government of the whole island. Kramer says that he fears the latest proposals are merely a way of hiding the fact that the negotiation is not advancing, since Cyprus has said clearly that it will not allow matters to proceed until Turkey recognises it. Kramer claims that a majority of the EU Member States is against Turkish accession but that none of them dares to take responsibility for torpedoing the negotiations – not even the Greek Cypriots. [*Der Standard*, 24 October 2006]

Chirac apologises to Erdogan

The French President has telephoned the Turkish Prime Minister to present his apologies for a vote in the French Parliament calling for denial of the Armenian genocide to be criminalised. The vote, which resulted from a bill put down by a Socialist deputy, will be an enormous obstacle to Turkey's accession to the EU. Mr Erdogan said that Chirac had called him on 14 October to express his regrets and that he had promised to do all he could on the issue in the future.

President Chirac has said that he was opposed to the measure during a visit to Armenia on 30 September. Recalling that France had recognised the Armenian genocide in 2001, Chirac said that the new text resulted more from polemics than from judicial reality. Chirac had added, however, that Turkey would be “*well advised*” to recognise the genocide since that would facilitate its entry into the EU. The vote in the French Parliament criminalising denial of the genocide caused a huge outcry in Turkey, with Prime Minister Erdogan saying that it was “*shameful, a black stain on freedom of expression*.” The Turkish Foreign Minister, Abdullah Gül, said that the law would profoundly damage Franco-Turkish relations and he expressed the hope that French politicians would prevent the bill from entering definitely into law. [Natalie Nougayrède, *Le Monde*, 17 October 2006]

Dutch elections on Europe

More than a year after the Netherlands voted against the European Constitution, the country is preparing for a general election on 22 November. The various parties seem to have agreed amongst themselves not to raise the European issue during the campaign: the leaders of all the main parties campaigned for a ‘Yes’ vote. In this campaign, they are keeping quiet or calling for ‘reforms’ in the EU. They are also keeping quiet about the question of Turkish accession, since popular opposition to Turkey was one of the main reasons why the Dutch voted against the Constitution (which the party leaders presented as essential for EU enlargement). The issue of Turkish membership has nonetheless arisen during the campaign since candidates of Turkish origin from two mainstream parties have been struck off their respective party lists because they have refused to recognise the genocide of Armenians in Turkey in 1915. The issue of the genocide arose when a small Protestant party put down a bill in the Dutch Parliament which would have made denial of the Armenian genocide a crime, just as the French National Assembly has recently done. Feelings are running high in the 370,000 Turkish community in Holland, as they are among ordinary Dutch people, who shocked at the double-murders of Pim Fortuyn and Theo Van Gogh, the latter by a Muslim extremist. The Muslim issue was also at the centre of a scandal involving a Dutch MP from Somalia, Ayaan Hirsi Ali, a friend of Van Gogh’s, who was threatened with expulsion from the Netherlands after it appeared that she had lied about being persecuted by Islamists in her home country in order to obtain Dutch citizenship. [Jean-Pierre Stroobants, *Le Monde*, 18 October 2006]

Lepper back in government

The anti-EU Self-Defence Party has been reintegrated into the governing coalition in Poland twenty-five days after leaving it. On 21 September, the Prime Minister, Jaroslaw Kaczynski, sacked the head of Self-Defence, Andrzej Lepper, who had protested against the 2007 budget and against sending 900 extra Polish soldiers to Afghanistan. But on 16 October this decision was rescinded and Lepper has been brought back into the fold. Thus early elections have been avoided. [Célia Chauffour, *Le Monde*, 18 October 2006]

EU Constitution on track

The chairman of the European Parliament’s Constitution Committee, the German Socialist, Jo Leinen, has suggested that France and the Netherlands vote again on the European Constitution, which they both rejected in referenda last year. Citing the precedents of Denmark and Ireland, both of which voted again (respectively, on Maastricht and Nice) after having got the answer ‘wrong’ in 1992 and 2001, Leinen says that the same approach could be adopted for France and the Netherlands. “*It could be*,” he says, “*that the price which will have to*

be paid will be that the new treaty is not called ‘a constitution’ any more but ‘a Europe treaty’. The goal of having an actual constitution may have to be postponed and we may have to be satisfied with a basic treaty instead.” Leinen claims that the absence of this treaty or constitution is the reason why Europe is under-performing in energy policy, the war on terror, the fight against illegal immigration, the fight against organised crime and many other areas. He says that the upcoming German presidency should work towards a consensus in 2007 and that corrections and amendments to the old text should be agreed upon by 2008, by which time a new ratification process could begin. Leinen says that he wants the new treaty to be ratified by referendum – but by a single referendum taking place simultaneously across the whole of Europe, and that the ‘majority’ should be of voters as well as of states. (This would be tantamount to destroying national sovereignty before the vote had even taken place.) Leinen said it was quite wrong for the will of “*the majority*” to be thwarted by ‘No’ votes in “*one or two states*.” Asked whether he thought there should be a referendum in Austria, where anti-European feeling is among the highest in the EU, Leinen said that there should be no popular vote since the Constitution had already been ratified by the country’s Parliament. [*Der Standard*, 20 October 2006]

At a meeting of the heads of Socialist parliamentary groups in Europe, the French Socialists were in a minority of one when they said that the Constitution had to be abandoned. Whether they had been in favour or against it at the time, they all agreed with Jean-Marc Ayrault, President of the French Socialist group in the National Assembly, who said, “*It is not possible to make our citizens vote again on the same text*.” By contrast, all the representatives of all the other Socialist groups, especially those from countries that have actually ratified the Constitution, said they want to press on. They refuse to accept that the Constitution is now a dead letter. Leinen said, “*It is very dangerous to say that the treaty is dead*” – even though Germany itself has not ratified the Constitution since, although it was approved by the German Parliament, it has been successfully stalled by an appeal by anti-Constitution campaigners to the Federal Constitutional Court. One Spanish socialist, Carlos Carnero, shouted at his French colleagues, “*You cannot impose your national debate on the rest of us in Europe! This is not the 1950s!*” A Portuguese MEP said that the third part of the Constitution was the most important, even though it was this part, its political content, which was most hotly contested by the opponents of the Constitution in France. Robert Badinter, the French constitutional expert, reminded the audience that the Constitution’s own text stipulated that, subject to ratification, it would enter into force on 1 November 2006. “*That is the Day of the Dead!*” interjected a Luxembourg deputy. [Jean-Dominique Merchet, *Libération*, 20 October 2006]

Hans-Peter Martin’s battle with OLAF continues

The battle between the anti-corruption MEP, Hans-Peter Martin, and the EU Commission’s so-called anti-corruption unit, OLAF, continue. Although OLAF is supposed to fight corruption, it has in fact been persecuting Hans-Peter Martin ever since he took up his one-man battle against institutionalised graft in the EU. OLAF has accused Martin of misusing €190,000 of money from his secretarial budget and it has sent its claims to the Austrian authorities with a view to encouraging them to investigate the matter further. Martin, who has legal immunity as a Member of the European Parliament, has virulently rejected the claims of any irregularities, accusing OLAF of conducting a witch-hunt against him and denouncing its accusation as “*a joke*” and “*a farce*”. [*Der Standard*, 12 & 19 October 2006]

Merkel online

The German Chancellor, Angela Merkel, has used the internet to present her policies for the German presidency of the EU which starts on 1 January 2007. Since June, she has been posting a brief video message on www.bundestkanzlerin.de and in her message of 7 October she devoted the podcast to the EU. She listed five priorities for bringing Europe closer to its citizens and, referring to the 50th anniversary of the Treaty of Rome, said that Europeans had to rally around their 'common values'. However, she remained coy about the politically sensitive issue of Turkish membership, saying only that there would be no further enlargement for a while. She said that Europe needed 'a constitutional treaty', confirming thereby that she remains attached to her well-known goal of reviving the defunct text. She also repeated a lot of bromides about improving Europe's competitiveness.

Italian spooks 'knew about CIA kidnapping'

Not only did the Italian secret services know about the CIA's plans to kidnap the Egyptian cleric, Abu Omar, in a hit which occurred on the streets of Milan in 2003, but they also participated in the operation. This is the firm belief of the prosecutors who concluded their investigation into the affair on 7 October. The report names eight agents of SISMI, the Italian security services, including the chief, Nicolo Pollari, and his deputy. The prosecuting magistrates claim that Pollari knew about the operation and agreed to help out. Abu Omar, an imam in a Milan mosque, was suspected of links to Al-Qaida and was kidnapped on 17 February 2003. He was taken to the American air base at Aviano and on to Ramstein in Germany, another US base, from where he was flown to Egypt. He claims that he was tortured there. Four other Italians are under investigation for complicity in the affair: two journalists from the daily, *Libero*, and two SISMI agents who tapped the phones of journalists from *La Repubblica*.

Claudio Scajola, chairman of the committee which controls the secret services, has said that Enrico Micheli, the Deputy Minister with responsibility for the services, declared the matter 'a state secret' in response to the committee's questions on whether the Italian authorities knew about the kidnapping plan. By making this declaration, the Prodi Government is continuing the policy of state secrecy imposed by the Berlusconi Government which it succeeded. [*Corriere della sera*, 25 October 2006]

Spain & Portugal for common immigration policy

Lisbon and Madrid have said that they want to see the EU adopt a common policy on immigration. Both countries are under pressure from a huge influx of refugees from Africa, more than 23,000 of which have landed on the coast of Spain since January. Speaking on 20 September at a joint press conference in Lisbon, the Spanish and Portuguese Europe Ministers said that solidarity and cohesion were 'fundamental' EU values and that this meant that all EU states had to share the burdens their countries were carrying. The same appeal had already been made by the French Interior Minister, Nicolas Sarkozy, who on 15 September said that the unanimity rule had to be abandoned where immigration was concerned, i.e. that the national veto had to be dropped, but he criticised the decision of Spain in 2005 and Italy in 2002 to legalise hundreds of thousands of illegal immigrants, saying that this had only encouraged the traffickers. [*Le Monde*, 21 September 2006]

Yushchenko? Who's he?

Following the victory of his rival, Viktor Yanukovich, in the recent general election, the Ukrainian President, Viktor Yushchenko, 'hero' of

the 2004 'Orange Revolution', has been marginalised from Ukrainian politics. At the height of the crisis, indeed, the West pressurised Ukraine into a radical change to its Constitution. The result of the change was that most of the President's powers were taken away from his office and given to the Prime Minister instead. Now that Yanukovich has become Prime Minister, it is he, not Yushchenko, who really runs Ukraine. The result is that the man whom the Western media pushed forward as the most popular politician since John F. Kennedy has in fact slumped into the nobody he always was. And the result of that is that few Ukrainians even care any more when he turns up at public functions. On the occasion of a visit to Kiev by the American film director, Steven Spielberg – who is making a documentary of the massacre of Jews by the Nazis in 1941 – Yushchenko turned up unexpectedly for the première – and few people even recognised him. [*Agence France Presse*, 20 October 2006; *Le Monde*, 23 October 2006]

Public support for Yushchenko has now fallen to 9.5 per cent in the opinion polls. Five of his allies in government have resigned. At the same time, Mr Yanukovich seems to be repairing his country's damaged relations with Russia. On the occasion of a visit to Kiev by the Russian Prime Minister, Mikhail Fradkov, Yanukovich indicated that the two countries were on the way to resolving their differences over the price of gas. Yanukovich said that the events of winter 2005–2006 (when the gas supply was temporarily cut off because Ukraine refused to pay the bill and was accused of siphoning off transit gas) had brought the question of gas supplies to "a high level of politicisation" but that things had now stabilised and that this stability was what the Ukrainian economy needed. He also gave guarantees that transit arrangements would be respected. "We will certainly guarantee stable volumes and look to it that the gas transportation system should be operating and our partners in the European Union should not experience the discomfort they experienced last winter," Yanukovich said. For his part, the Russian premier said that gas price rises were not on the agenda in their bilateral discussions. The prospect of a continuing gas war seems therefore to have been averted. [*Itar-Tass*, 24 October 2006]

Peacekeepers

The German Foreign Minister, Frank-Walter Steinmeier, has said he was deeply shocked by the "disgusting" photographs published in the German press which show German soldiers in Afghanistan desecrating human skulls. Germany has a large contingent of soldiers in Afghanistan as part of the international military force there and their presence has been a matter of considerable controversy in a country unused (since the end of the Second World War) to sending its soldiers into active combat. The pictures were taken in early 2003 during a patrol in the Kabul area and published in the mass circulation *Bild* newspaper. The soldiers in question have been identified and are being prosecuted. The pictures show a soldier about to stick wire through a skull as if to hang it up; another shows a soldier with his penis in his left hand and the skull in his right; a third shows the skull on a tank. It is not clear whether the skull is of an Afghan or perhaps a Soviet soldier from the 1979 occupation. The German Defence Minister, Franz Josef Jung, said that this kind of behaviour was totally unacceptable and that it represented the direct opposite of what the German army in Afghanistan is supposed to stand for. [*Bild-Zeitung*, 25 October 2006]

Lustration in Poland

On 18 October, the Polish Parliament voted for a new law on lustration. According to the new law, an affidavit (or denunciation)

can be submitted to the Institute for National Memory against members of Parliament, members of the Government and of the civil service, executives in state companies, local politicians, prosecutors, head masters and mistresses, university rectors and journalists, if they collaborated with the Communist secret police. A successful denunciation can lead to a person losing his job. The law also enlarges the definition of 'agent' by referring not to 'secret collaborators' but to 'personal sources'. This new definition could include people who were approached for information by the secret police but who did not necessarily work for them. The Kaczynski twins are opposed to opening all the Institute's archives; the law has to be signed by the President, Lech Kaczynski, for it to enter into force. He has fifteen days to sign it or send it to the constitutional court for review. [Célia Chauffour, *Le Monde*, 25 October 2006]

French judge their politicians severely

60 per cent of French people – according to a poll – think that their politicians are 'generally corrupt' but only 24 per cent firmly condemn their dishonesty. In other words, they are more intransigent about their politicians in theory than in practice. The 60 per cent figure contrasts with the 38 per cent who thought their politicians 'generally corrupt' in 1977. In 1991, the figure was 65 per cent. 78 per cent say that their ministers are corrupt; 69.1 per cent think that the President of the Republic is corrupt; 68 per cent for deputies to the National Assembly. 84.9 per cent think that the courts are too soft on ministers and 78.1 per cent think that they are too soft on national deputies. 56 per cent think that mayors are treated too lightly. 96.5 per cent say they would not vote for a politician who had been implicated in a financial scandal even if he was very effective. However, this apparent severity in their judgements contrasts with the answers to other questions. 72.3 per cent say there is little or nothing wrong with going to see a deputy to obtain a place for one's child in a crèche; 70.2 per cent say there is nothing wrong soliciting a deputy to find a job for a friend. Even taking out membership of a political party only in order to obtain social housing is considered all right by 49 per cent of those asked. [*Le Figaro*, 20 October 2006]

France implicated in Rwanda genocide

A committee has been set up in Kigali, Rwanda, officially charged with "collecting proof about France's role in the genocide" which took place in 1994. Composed of historians and jurists, the committee is supposed to hear the testimony of 25 witnesses in the first week. It will then pursue its investigations abroad and produce a report in six months' time. According to the committee chairman, Jean de Dieu Mucyo, a former Minister of Justice, "the report will determine whether or not a judicial procedure should be undertaken at the International Court of Justice." Situated in a room near to the office of the Prime Minister, the committee's first witnesses were Jacques Bihozagara, one of the leaders of the RPF rebellion (the RPF is the party which currently holds power in Rwanda) who was Ambassador of Rwanda to France after the genocide, and Augustin Iyamulemye, a Senator who was a senior officer in the Rwandan secret services from 1993 to 1994.

It will also hear testimony from people who lived in the zone where the military-humanitarian operation 'Turquoise' was launched by France three months after the genocide started. In his hearing, Ambassador Bihozagara attacked France for having "organised a campaign to denigrate and demonise the RPF" and for then having "protected those who committed genocide." He then attacked France for having "preached the existence of a double genocide" (i.e. of Hutus by Tutsis as well as the other way around). The Quai d'Orsay has said that

it has not been approached by this committee and that France will cooperate with the International Criminal Tribunal for Rwanda. There are cases currently before the French military courts alleging complicity in genocide and a senior judge is conducting an investigation into the attack in April 1994 against the aircraft which was carrying the Rwandan President, Juvenal Habyarimana. [*Le Figaro*, 25 October 2006]

German immigrant workers in Ireland

An association of German builders has been created in order to promote their services in Ireland. The 'German Crafts Association' has been set up by builders in Hessen and the Rhineland Palatinate to market the skills of German carpenters, painters and builders in Ireland. The construction industry has been booming in Ireland for ages but, according to the Germans, many of the builders there are not qualified. The Germans are intending to market their reputation for high quality work, and to ensure that, when a builder puts in a cupboard, the door shuts or when a wall is painted it is done so smoothly. The German builders had a stand at the recent Irish Building Exhibition and they claim that there was huge interest. One of the specialities that the Germans are marketing is in building houses which are economic in their consumption of energy. This is expected to be popular in a country in which energy prices have doubled in recent years. [Laura Stoll, *Frankfurter Allgemeine Zeitung*, 25 October 2006]

Russia reluctant on Kosovo independence

Russia is in disagreement with the other Western members of the Contact Group on Kosovo about whether the province should be made formally independent of Serbia. The USA, France, Italy and Germany want to suggest to the Security Council that Kosovo be made independent, even though Belgrade is strongly opposed to this. Moscow, however, wants to continue negotiations so that a result is found which is acceptable to both sides. In the middle of September, Russia had indicated that it would veto a resolution on independence. [N. Mappes-Niediek, *Frankfurter Rundschau*, 26 October 2006] Many Russians resent the Western pressure for independence for Kosovo, especially when those same Westerners are opposed to independence by Transnistria, a secessionist province of Moldova which has fewer historical ties with Moldova than Kosovo does with Serbia. The issue is further complicated by the fact that the Bosnian Serbs would like to declare independence from Bosnia-Herzegovina. The Western-backed High Representative who governs Bosnia, however, has said that any referendum on independence would be null and void. Other politicians in Bosnia who have campaigned for more autonomy, for instance the former Bosnian Croat leader, Ante Jelavic, have been imprisoned for anti-constitutional activities.

EU decides not to legislate on alcohol

The European Commission has abandoned plans to force alcohol producers to label bottles with health warnings similar to the ones they have imposed on cigarette packets. It has decided instead to encourage the Member States to take their own measures against alcohol abuse. It had been suggested that the EU would require beer and wine bottles to carry health warnings, or that the EU should introduce its own system for licensing alcohol outlets. These proposals met with a storm of protest, not least in Germany. The health Commissar, Markos Kyprianou, expressed frustration and anger at what he said was "the aggressiveness of the lobby campaign waged by part of the alcohol industry against our strategy." [*Frankfurter Allgemeine Zeitung*, 24 October 2006]

The Impact of British Eurosceptic Groups 1990-97

In the last of a 3-part series, John Mehrzad investigates the major players in British Euroscepticism.

**JANUARY 1995
to
MAY 1997**

BY THE BEGINNING OF 1995, Eurosceptic factions had been 'combat trained'.¹ Structures were in place and had been used well in the past. Metaphorical ideological trenches had also been dug around the issue of Europe. The combination of conviction, experience and energy were potent weapons that organisations were not afraid to deploy to pursue their aims. With the general election approaching rapidly, an assault for control of the Conservative Party had begun.

As was his way, John Major continued to follow an attempted policy of compromise with sceptics over the first half of the year. On 3 February 1995, at a Conservative Way Forward (CWF) dinner, the Prime Minister diplomatically stated that, "*we will aim for a more flexible European Union... Nor will we agree to a more prescriptive, centralist Europe, or removal of the nation states' veto.*"² The most pivotal meeting with Eurosceptics, however, occurred on 12 June when Major agreed to address Fresh Start, with Michael Spicer in the Chair. This event soon descended into a slugging match with Major "*heckled and interrupted.*"³ He saw the meeting "*as rigged as a scaffold*" with attacks rehearsed.⁴ Overall, "*the meeting was a disaster.*"⁵ Desperate times now called for desperate action.

Ten days later, on 22 June, Major, believing himself to be in "*a coalition government of my own,*"⁶ announced his resignation with the intention to stand for re-election. This was a direct call for his opponents "*to put up or shut up.*"⁷ It was clear that he was referring to sceptics when stating "*for the last three years I've been opposed by a small minority in our party.*"⁸ However, this alleged 'small minority' was sufficiently large to run their own candidate – No Turning Back member John Redwood.

Akin to the preparations made for votes on Europe, Redwood's campaign had been planned months in advance.⁹ In May, the 'whipless nine' were returned to the fold without conditions, which was both "*gullible and foolish.*"¹⁰ Leading figures, such as Gorman, Gill and Marlow regrouped and emerged as the 'whippers-in' for Redwood.¹¹

Major may have viewed them as "*the barmy army*"¹² but the sceptics had built a team round more than oddballs. The Bruges Group "*was there full time*" providing resources, expertise into different ideas of policy and Martin Holmes became the former Minister's European Policy Advisor.¹³ Some of the Tory press also endorsed Redwood. The *Daily Mail* was unhelpful to Major, *The Times* was gunning for a dream Heseltine-Portillo run-off, while Simon Heffer at the *Daily Telegraph* promised Redwood a great run.¹⁴ Indeed, such was the importance of Eurosceptic organisations that both candidates met the 92 Group on the eve of the election although the occasion "*passed off uneventfully.*"¹⁵ Major won the contest with 218 votes to 89 but the gamble had not worked. The size of Redwood's vote meant that there were many storm clouds ahead.

Sceptic motivations were not based primarily on differences of personality but on a question of policy towards Europe

The leadership election had brought up an important question; was sceptic opposition to Major based on personality as much as policy? *The Times'* Peter Riddell observed that "*some are motivated by hatred of John Major: some by their passionate opposition to the European Union.*"¹⁶ Alan Clark has reflected that opposition was based on policy before personality as, quite simply, sceptics wanted Major to jump off the proverbial fence on Europe.¹⁷ Additionally, hardly any of the Referendum Party candidates came out of the Conservative Party. For them, "*some intra-Tory Party conflict was not the cause of what they were doing.*"¹⁸ All other organisations have also strongly refuted accusations that they felt an animus first and foremost against Major. The Bruges Group has pointed out that many of their associates, like Lamont and Duncan, were actually part of the campaign team in 1990 that put Major into power. Their resentment was not personal but based on a feeling that he had sided with 'enthusiasts'.¹⁹ Similarly, in conversation

with most Eurosceptic MPs between 1993-97, Holmes cannot recall anyone intimating that they simply wanted to "*get rid of Major.*"²⁰ These recollections suggest, therefore, that sceptic motivations were not based primarily on differences of personality but on a question of policy towards Europe.

By coming face-to-face with groups and putting himself up for re-election, Major had tried to address divisions. In October, this theme continued with an arranged meeting with Goldsmith at the Party Treasurer, Charles Hambro's flat, following an impromptu *tête à tête* at Margaret Thatcher's birthday celebrations at Claridges. This meeting did not extract from Major an early commitment to a referendum on the single currency but it did demonstrate the perceived importance of Goldsmith as "*why otherwise would they have met?*"²¹ With enormous personal wealth, connections galore, a fanatical attitude against Europe and an intention to stand candidates against Tories, the threat was obvious. Further correspondence was exchanged in March 1996 by telephone and letter bringing agreement "*that Europe should be built around the nation state*" but again nothing on a referendum.²²

Goldsmith had also been busy meeting other political figures. He met Lamont at the Dorchester and at Wilton Place in early 1996.²³ In April, he also had a meeting with Redwood at Claridges.²⁴ Most significantly, he wrote to all Tory candidates, whether inside or outside the House, and a number of Labour ones telling them the only way to avoid a Referendum Party candidate standing in their constituency would be to commit themselves to an immediate referendum on the single currency.²⁵ This led to a great deal of angst amongst Tory MPs with small majorities.

One of the oft-repeated criticisms of Major was that he chose not to command the decision-making process in Cabinet as his predecessor had done. At times, however, the course of events was not in his control. On 25 March 1996, the EU Veterinary Committee imposed a temporary ban on the export of British beef products to the rest of the world following the publication of the possible link between Bovine Spongiform Encephalopathy (BSE) and Creutzfeldt-Jakob Disease (CJD). This

decision caused outrage in the Conservative Party and further inflamed British opinion against the EU with the virtual closure of the beef industry.²⁶ Subsequently, on 21 May, Major decided that Britain would withhold consent from EU decisions that required unanimous approval until a compromise on the beef problem had been reached. This issue, additionally, only served to increase the vehemence of Euro-sceptic attitudes towards Europe.

By 1996, The Bruges Group had begun to reconsider their attitude towards Europe. Whereas the policy of reform of the EU had been articulated (and the EU flag had flown on platforms) in the early 1990s, it was now accepted that if a full renegotiation of Britain's involvement with Europe was not possible then Britain ought to withdraw altogether.²⁷ Thatcher also spoke out about the importance of sceptic organisations and the necessity to fund them. In June, 74 backbench Tories also supported Bill Cash's Referendum Bill, which called for "a plebiscite on whether Britain should retain its powers of government and not become part of a federal Europe or join a single currency."

Summer 1996 marked the last-ditch attempt by Major to resolve rifts. His reshuffle, however, started inauspiciously. In July, the Paymaster General, David Heathcoat-Amory, resigned, convinced that "joining a single currency would be disastrous both politically and economically ... and the Government's equivocation on this issue is confusing to the public and our supporters."²⁸ Like Lamont before him, he immediately joined all sceptic organisations and The Bruges Group launched his pamphlet, *A Single European Currency: Why the United Kingdom must say 'No'* at his resignation speech. Major, though, did promote sceptics to positions of authority in a reconciliatory gesture. The most notable was Fresh Start member Roger Knapman, the future chairman of UKIP, who became Senior Whip "because of European conviction rather than talent."²⁹ Nevertheless, the Party continued to be "seen as deeply divided and incapable of governing."³⁰

While Major toiled under the full glare of the media, Eurosceptic organisations continued to advance their aims in an organised fashion. In October, the Referendum Party held the largest conference of any political party in Brighton with nearly 6,000 people in attendance. There, Goldsmith outlined plans to stand at least 400 candidates at the next election.³¹ CWF, in the autumn issue of its magazine, *Forward*,

also argued that if "the majority of Tory candidates in winnable seats pledge in their own personal election addresses that they will fight against a Single Currency in the lifetime of the next Parliament ... then it will be obvious to voters that no Tory Cabinet could ever recommend such a sell-out to Parliament."³²

When Conservative Central Office finally published election addresses over 100 contained a commitment that the candidate concerned would not sign up to a single currency. Considering that the Cabinet had announced on 3 April that the Tories would hold a referendum on the euro, these declarations "made a mockery of any attempt to find a common approach."³³ Eurosceptics and the Tory press were unimpressed by the referendum decision and "kept hammering on ... to secure sworn testimony from Major that he would not enter EMU."³⁴ In December, the 92 Group adopted a similar position, despite the intervention of Heseltine,³⁵ with an announcement that "this is not an economic issue. If you believe in a sovereign Britain you must be against the single currency."³⁶ In April 1997, Marcus Fox, Chairman of the 1922 Committee, joined the rebels when stating, "I am totally opposed to a federal Europe, and our national identity must be maintained at all costs."³⁷ These sentiments were taken up in Cabinet by Howard, Lilley and other Eurosceptic Ministers³⁸ and Major was forced to modify the Tories' position on Europe approving the *Daily Telegraph* headline 'Major plans to hold out against the Euro'.³⁹

Two weeks before the final contest, Blair announced that, "there are two Conservative Parties fighting this election. John Major is in charge of neither of them."⁴⁰ The truth was that there were far more than two organisations fighting over Tory voters. First, sceptic, but not necessarily enthusiast Conservative, parliamentary organisations fought to keep the Tories in power. Secondly, non-party organisations also involved themselves in the electoral process but only in an indirect sense. The Bruges Group "did not tell members how to vote" but, when pressed on the subject by adherents, Holmes did suggest that it depended on the constituency: "If I was living in Grimsby, I'd obviously vote for the Labour Eurosceptic, Austin Mitchell. If I lived in Ludlow, I'd vote for the Tory, Chris Gill. If I lived in a constituency where the Tory was a Heathite and the Labour candidate was a federalist, then I might look at the candidates of the Referendum Party and UKIP."⁴¹ This was a

pragmatic approach aimed at making the Group's overwhelming Conservative membership reflect on Europe, not party politics. Thirdly, there were sceptic parties, which involved themselves in the contest directly.

For both parties, however, the mere fact that Major had decided to commit to a referendum on the single currency was perceived as the greatest success of their involvement in the political scene

The impact of Eurosceptic parties in the 1997 general election was limited. In the run-up to the contest, this factor was a source of much irritation for the Referendum Party. Lamont has suggested that, "if Goldsmith had wanted to succeed he should have done more to get daily coverage ... in newspapers and on TV."⁴² However, the simple fact remained that the Tory press saw the Referendum Party as a threat to the Conservative voter base and would not positively report on its actions.⁴³ Additionally, Goldsmith took the BBC to court claiming that it should have been granted the same number of party political broadcasts as the main parties.⁴⁴ Ultimately, the Party had to create its own publicity networks through the local press, by sending out 750,000 videotapes to the general public and by compiling a database of some 250,000 individuals.⁴⁵ It eventually stood 445 candidates with estimated overall costs of between £20–30 million.⁴⁶ The Party, though, won no seats with 2.86 per cent of the national vote and lost 403 deposits.⁴⁷ This percentage may not seem significant but was, in fact, far greater than the standard return for sceptic parties at previous contests. The figure was also crucial in a number of marginal seats. Although this remains debatable, it is estimated that the Referendum Party's intervention contributed to the loss of up to 50 Tory seats.⁴⁸ UKIP, too, with 183 candidates won no seats and less than 0.4 per cent of the national vote. For both parties, however, the mere fact that Major had decided to commit to a referendum on the single currency – as Labour and the Liberal Democrats did subsequently – was perceived as the greatest success of their involvement in the political scene.

Ultimately, however, the battle of ideas boiled down to the sentiments of a single group on Europe – the British. Both sides of the divide claimed to represent the true convictions of this sphere. Sceptic organisations even unequivocally declared that “the main task was to convert the Tory party-base to Euroscepticism.”⁴⁹ In a specific sense, Tory voters did feel more passionately about the concept of losing national sovereignty. A 1996 poll showed that whereas only 42 per cent of Labour supporters were concerned about such an outcome, 61 per cent of Conservatives were.⁵⁰ UKIP knew of these statistics and felt Europe “was certainly one of the main issues for lots of Tories.”⁵¹ Their reasoning that the decrease in Party membership and full-time agents over the 1990s also mirrored party-base concern with the Party’s approach to Europe, though, stretched the argument too far.⁵² Membership may have dropped from 750,000 to 300,000 between 1990 and 1997 but this was a downward trend that had begun in the mid-1950s when membership was at 3 million. Similarly, this was a universal trend as Labour membership had also decreased over this period. The consequences of desertions were, nevertheless, felt in other areas.

The party base was simply not sufficiently concerned with the issue of Europe to undermine Major as the parliamentary Party had done

At the local elections of 1995, the Conservatives lost over 2,000 seats. In April 1996, the Tories had a majority of over 7,000 overturned in favour of Labour in East Staffordshire while, in February 1997, a majority of 8,000 was lost at the South Wirral by-election. Voters, however, did not endorse sceptic parties. UKIP achieved only 2.9 per cent and 0.9 per cent in both by-elections respectively.⁵³ A *Sunday Express* poll of constituency chairmen also gave Major 96 per cent support during the leadership contest.⁵⁴ The party base was simply not sufficiently concerned with the issue of Europe to undermine Major as the parliamentary Party had done. The loss of manpower did have an important consequence, nevertheless, for the Party at the general election as polling station exits and

committee rooms were left unmanned and understrength.⁵⁵ For example, in Sutton and Cheam, the Referendum Party campaign was said to have been “considerably more impressive” than that of the sitting Tory MP, Olga Maitland, who duly lost.⁵⁶

Conclusion

In a more general sense, there has also been an ongoing polemic about whether the British general public really cared about Europe to the extent that sceptic organisations thought they did. In reflection, Holmes believed that both the sceptics and enthusiasts incorrectly thought that people regarded Europe as the number one issue. In his words, “this was not actually true and this was a lesson for both sides ... as it did not affect their [the public’s] material interest.”⁵⁷ Furthermore, he believed that the whole question of the single currency had been effectively ring-fenced by Tory and Labour commitments to hold a referendum, which allowed “people to consider housing, the health service, employment, inflation, etc. instead.”⁵⁸ Others, however, have argued to the contrary. Roger Knapman accepted that “people will always talk about education, health and the economy” but “they also care about the future of the country.”⁵⁹ Away from generalisms, Lamont has recalled that “people on doorsteps” often quizzed him over Europe but that parliamentary arguments made the Conservative Party “appear a one-issue party unconcerned with other areas.”⁶⁰ Overall, as Major has stated, “voters expect unity and punish division.”⁶¹

- 1 Alan Duncan in Major, *op.cit.*, p. 347.
- 2 Major, extract from speech delivered to Conservative Way Forward dinner, 3 February 1995.
- 3 Norman Lamont, *In Office*, London, Warner, 1999, p. 433.
- 4 John Major, *The Autobiography*, London, Harper Collins, 2000, p. 614.
- 5 *ibid.*, p. 615
- 6 Major at G7 Summit, Halifax, Nova Scotia, June 1995
- 7 Major, resignation speech delivered in garden of 10 Downing Street, 22 June 1995
- 8 *Ibid.*
- 9 *Op.cit.* Lamont, p. 439.
- 10 Major speaking on *The Major Years*, part 3.
- 11 Michael Heseltine, *Life in the Jungle*, London, Coronet, p. 476.
- 12 *Op.cit.* Major, p. 634.
- 13 Collett, interview.
- 14 *Op.cit.* Major, pp. 618, 635, 641.
- 15 *Op.cit.* Major, p. 641.
- 16 *Op.cit.*, Major, p. 607.

- 17 Alan Clark, *The Tories*, London, Phoenix, pp. 1998, p. 509.
- 18 *Ibid.*
- 19 Collett, interview.
- 20 Holmes, interview.
- 21 Glendening, interview.
- 22 *Op.cit.* Major, p. 704.
- 23 *Op.cit.* Lamont, pp. 466-7.
- 24 *Op.cit.* Clark, p. 527.
- 25 Glendening, interview.
- 26 *Op.cit.* Major, pp. 651-3.
- 27 Collett, interview.
- 28 David Heathcoat-Amory in the *Guardian*, 23 July 1996.
- 29 Knapman would like to believe it was the other way around but agreed that this was not the case, interview.
- 30 John Turner, *The Tories and Europe*, Manchester, Manchester University Press, 2000, p. 213.
- 31 Glendening, interview.
- 32 Conservative Way Forward, *Forward*, autumn 1996.
- 33 *Op.cit.* Heseltine, p. 520.
- 34 Hugo Young, *This Blessed Plot*, London, Macmillan, 1999, p. 465.
- 35 *Op.cit.* Heseltine, p. 525.
- 36 *Observer*, 8 December 1996.
- 37 Marcus Fox in the *Daily Express*, 16 April 1997.
- 38 *Op.cit.* Turner, p. 192.
- 39 *Daily Telegraph*, 9 December 1996.
- 40 Seldon, *op.cit.*, p. 723.
- 41 Holmes, interview.
- 42 *Op.cit.* Lamont, p. 468.
- 43 See Chapter II, p. 31
- 44 Glendening, interview.
- 45 *Ibid.*
- 46 *Ibid.*
- 47 House of Commons Library, 1997 *General Election Results*.
- 48 Glendening, interview.
- 49 Collett, Glendening, Holmes and Sked have all mentioned this aim, interviews.
- 50 ICM Research, *Poll Review*, 1996.
- 51 Sked, interview.
- 52 *Ibid.*
- 53 *By-Election results of the 1992-1997 Parliament*.
- 54 *Op.cit.* Major, p. 639.
- 55 *Op.cit.* Clark, p. 531.
- 56 Glendening, interview.
- 57 Holmes, interview.
- 58 *Ibid.*
- 59 Knapman, interview.
- 60 Lamont, interview.
- 61 *Op.cit.* Major, p. 691.

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BOOK REVIEWS

Don't Mention the War: The British and the Germans since 1890

John Ramsden, Little, Brown, 2006, 433 pp,
ISBN 13 978 0 316 86122 9, £20.00

Reviewed by David Wilson

THE 2006 WORLD CUP, of sad and infamous memory, began with one dim-witted wiseacre announcing, "That, within living memory, having beaten the Germans twice at their national game and once at our own; it is high time we beat them again at ours." Yet, the World Cup ended with most English fans supporting Germany and not just because they were playing Argentina. Outside the ground at the Germany v. Argentina quarter-final a group of English fans spotted an Argentine news crew (complete with the obligatory bronzed anchorman with regulation slicked back glossy hair) and immediately struck up the chant 'Malvinas Anglettere'. Incongruously, this was taken up by the massed ranks of Germans and sung with cheerful abandon all through the bierkeller-fuelled night. This fellow feeling was not unreciprocated throughout the rest of the competition, even the latest variation on a hardy perennial joke, "Who do you think you are kidding, Mr Klinsmann," fell a little flat. The vast majority of England fans supported Germany against the eventual winners Italy in the semi-final. Well, didn't that feel strange.

Well, that's enough about football (for the time being). *Don't Mention the War* is a better book than some of its reviewers have given it credit; not that it has been meanly reviewed, far from it. Professor John Ramsden, the distinguished historian of the Conservative Party,¹ has written a witty and provocative thesis on our German problem (and, in the process, the Germans' English problem). Why does Britain – or, again, more accurately, England – have such a problem with the greatest Central European power? The question, of course, virtually answers itself. Professor Norman Stone, our most eminent historian of Mitteleuropa, when asked to explain the moral catastrophe of the first half of the European 20th Century, retorted in just four simple words – and with some singular emphasis, "The Germans. Went. Ape". *Sturm und Drang* was

not the half of it. Or, as our more prosaic football fans would have it, "Two World Wars and One World Cup."

Germany has become so neutered and quiescent in geopolitical terms that it has virtually disappeared off the British radar... We now tend to criticise contemporary Germany for its neutralism, if not downright pacifism.

Professor Ramsden's question is also a more specific one: will we ever forgive the Hun? In one sense, Germany has become so neutered and quiescent in geopolitical terms that it has virtually disappeared off the British radar. If anything, despite the obligatory and admittedly tiresome auto-dictat jokes regarding Teutonic militarism, we now tend to criticise contemporary Germany for its neutralism, if not downright pacifism. However, there are strategic stirrings in Mitteleuropa and, despite appearances to the contrary, neither of these countries lives merely through their shared pasts of mutual loathing or merely through the displacement activity of war by other means that is international football. Enmity is the order of the day, but it was not always like this.

In 1881, *The Times* declared in a fit of Teutonic fellow feeling (based on an assumed common racial ancestry) that, "Germany does not excite in any class amongst us the slightest feeling of distrust or antipathy." Indeed, British attitudes towards Germany excited no great antipathy until the Edwardian Era and even then Germanic high culture was still hugely admired: the new Rilkean historiography had particular

intellectual cache; breakthroughs in the natural sciences were universally admired; philosophy and literature were *succès d'estimes*; and opera, orchestral music and the performing arts were genuinely and widely enjoyed. This sense of cultural affinity was accentuated by successive Germanic monarchs succeeding to the British throne (despite the fact that a few of them did not even speak the King's English on their coronation). Needless to say, this admiration was not universal. While Carlyle regarded "Germanhood all along as a quality, not a fault," Macaulay disparaged the German philosophical mindset – he had particular dislike for Hegel – and sneered, "An acre of Middlesex is better than a Principality in Utopia."

With Bismarck's unification of a Germany in the mid-19th Century, Prussian militarism came to dominate the new Great European Power. This cuckoo in the nest of the heartland of Europe upset the balance of power on the continent which – even before the Congress of Vienna – it had been British policy to maintain. Yet it was only when the hubris of Wilhelmine imperial ambition led Germany to challenge the Royal Navy's rule of the world's waves – a struggle that led to the first modern arms race – that things started to get nasty. This problem of preventing a hegemon assuming suzerainty on continental Europe is the same problem that every British statesman from Castlereagh to Palmerston to Sir Edward Grey has faced.

Grey put it like this, "If the German fleet ever becomes superior to ours, the German army can conquer this country. There is no corresponding risk of this kind to Germany." The naval theorist, Admiral Alfred T. Mahan, used to argue that given that the seas and the great oceans are continuous and uninterrupted and given that sea transport was more effective than land transport, whoever controlled the sea, and was possessed of an insular and defensible home nation, would ascend to primacy in world affairs. Though not formulated at such a theoretical level, this was roughly the view of Her Majesty's Government, whereas Sir Halford Mackinder based his theory of primacy on land domination: "Who rules East Europe commands the Heartland; Who rules the Heartland commands the World-Island; Who rules the World-Island commands the world."² This was roughly the view of the Wilhelmine General Staff.

These strategic concerns were given dramatic popular expression with the

publication of Erskine Childers' sensational thriller, *The Riddle of the Sands* (1903). Childers' book, which caused something of a mass *Greuelpropaganda* at the time, concerns two Englishmen on a yachting expedition, sailing among the shifting sands of the German Baltic coast, who chance upon preparations for an imminent invasion of England. *The Riddle of the Sands* is a call to arms; a desperate plea for England to reassert its own war readiness.³ After 1870 and the Franco-Prussian War which the Germans won with embarrassing ease, there had been the greatest of Great Power European stand-offs with Germany the dominant force on the land and Britain on the high seas. As Ramsden accurately points out, "Once Germany acquired a battle fleet only a day's steaming from Britain's undefended East coast that balance was terminally destabilised." There was now a driving panic to build ever-bigger capital ships of the gargantuan Dreadnought class to protect these islands from the imminent threat emanating from the North Sea. It was in this atmosphere that the demagogic chant went up across the land, "We want eight (Dreadnoughts) and we won't wait." These sentiments might have been jingoistic, but strategically they were sound.

The Kaiser could be conciliatory, proclaiming to British listeners at a 1901 dinner, "We ought to form an Anglo-German alliance, you keep to the seas while we would be responsible for the land." All the worst fears of the earlier invasion scares were confirmed when in December 1914 German battle cruisers shelled Whitby, Scarborough and Hartlepool, killing 133 civilians. Shocking as they were to the British public's psyche (like the 1,413 killed in Zeppelin raids) these atrocities, would have been far worse were it not for the fact that the German Admiralty – not unlike the British – realised they could lose the war in one day after a single disastrous naval engagement, so they put into port and never came out again *en masse*.

This arms race set off the ticking bomb that ended exploding all over the fields of the Somme, Ypres and Paschendale. And God bless the bloody infantry, yet even in the first Christmas of the conflagration, that of 1914, the Bosch and the *Allgemeines* squaddies famously found time to play football against each other across no-man's land – until the officer class put a stop to it for fear of encouraging fraternisation with the enemy. Inevitably, by 1914 Wilhelmine Germany was seen as a threat to West-

ern civilisation; the Germany of Goethe and Beethoven had metastasised into the barbarian Hun. The Anglican Church was preaching from its national pulpit that, "We are the preordained instruments to save the Christian civilisation of Europe from being overrun by a brutal and ruthless paganism." It was certainly during this period that Rudyard Kipling summed up the sentiment of the people when he wrote, "When the English begin to hate ..." Ford Maddox Hueffer went further, "I wish Germany did not exist, I hope that it will not exist much longer. Burke said that you cannot indict a whole nation. But you can." Writing prematurely of their defeat in 1914 G.K. Chesterton excommunicated the entire German nation from Christendom, "the empire of blood and iron rolled slowly back towards the darkness of the northern forests." Then suddenly, after four years of hatred, came the Armistice.

After the much-maligned Treaty of Versailles, it was Britain that infamously burdened itself with 'war guilt'. It was preeminently the British that saw the Treaty as unjust, as a punitive peace.

After the much-maligned Treaty of Versailles, it was Britain that infamously burdened itself with 'war guilt'. It was preeminently the British – in contrast to the fallen empires and war ravaged nations of continental Europe – that saw the Treaty as unjust, as a punitive peace. In *The Economic Consequences of the Peace* (1919), John Maynard Keynes represented not only progressive and pacifist opinion, but also, to a degree, popular sentiment. It was nothing short of astonishing that soon after 1918 both the British public and the British political establishment were prepared to forgive and forget. Versailles was increasingly seen as an ill-judged and unjust expression of Gallic vindictiveness. Tragically, it was this sense of moral culpability in the 'Carthaginian Peace' that was to lead directly to Appeasement. By the 1930s the ruling classes – after the slaughter of their first born (and everyone else's) – had reverted to their default position of the

romantic Germanophilia and returned yet again to the idealisation of the likes of Goethe and Beethoven. Robert 'Van' Vansittart (then the government's chief diplomatic adviser, though a notable Germanophobe) was incapable of comprehending the totalitarian nature of Hitler's National Socialism, believing it was just the latest sinister manifestation of Junker militarism. Worse, Keynes was a romantic Germanophile who was not only hopelessly naïve regarding the true nature of the Nazi state, but also about the extent of its enthusiastic popular support. Bernard Morris points out that of the thousands of articles on Germany in the British press published in the 1930s, no more than 25 attempted to define, explain or analyse Nazi ideology. Nevertheless, amongst the ranks of the ruling class there was at least one exception – at the time a man of Kent – to virtually all these generalisations.

In the age of total war *this* Armageddon was a moral crusade to specifically rid Europe of Hitler's New Order. Nevertheless, this time there was also almost a presumption of the collective guilt on behalf of the German people. Just how much were the German people collectively guilty; to what degree were they complicit in the regime as Hitler's Willing Executioners? In the aftermath of the liberation of the death camps, the Political Warfare Executive announced what was effectively a verdict of German 'exceptionalism'; that is to say, "The moral responsibility for these crimes should be laid wholly and solely at the German nation." The German population, the nation itself, was held not to be passive victims of the Third Reich, but the active perpetrators of unspeakable war crimes.⁴ It is arguable that if you wanted a lasting peace you needed to have one militarily and judicially imposed by a Nuremberg; rather than one reluctantly signed up to at a Versailles. It was once said of Prussia that it was a not a country with an army, but an army with a country. Similarly, under the Nazis, Germany was not a country governed by a dictatorial part, but a dictatorial governing party that had become the country. Though A.J.P. Taylor almost certainly went too far in his 1973 Creighton Lecture when he declared that, "the gas chambers represent Germany as truly as Gothic Cathedrals represented the civilisation of the Middle Ages."

The sheer variety of English nomenclatures for the Germans are indicative: Krauts, the Bosch, Jerries and the Hun. It is fair to say that these designations and even

less contumely and mannered ones, are universally hostile. At the time, the attitude of that everyman, the post-war Foreign Secretary, Ernest Bevin, who famously remarked to General Robertson, “*I tries ’ard, Brian, but I ’ates ’em*” was typical. As you might expect, Noel Coward – who must stand as Bevin’s almost too perfect alter ego – expressed what he termed “*being beastly to the Germans*” rather more elegantly, “*They gave us culture, science, art, and music – to excess/They also gave us two world wars and Mr Rudolph Hess.*”

Ramsden appears to argue that this adversarial *pas de deux* came to a head over the post-war German Federal Republic’s *Sonderweg*, *Wirtschaftswunder* and *Ostpolitik* and that, in that most clichéd of metaphors, Britain missed the European bus. More convincingly he argues that confronted with this all too ostentatious success story and the refrain of “*Who won the war anyway*” – brilliantly dramatised in the Seventies by *Auf Weidersen Pet*, the subtle Dick Clements and Ian La Frenais scripted television comic drama, portraying unemployed Geordie builders moonlighting in Hamburg to escape the domestic dole queues – the victory over Nazism became a culture of consolation for relative industrial decline. This found its xenophobic release mainly in popular culture; particularly, in television programmes such as *Auf Wiedersehen Pet* as well as *Dad’s Army*, ‘Allo, ‘Allo and, of course, Basil’s immortal goose stepping mental breakdown in *Fawlty Towers* – from which Ramsden takes his title. Not discounting countless tabloid headlines about Teutonically efficient tourists mounting dawn raids on our Costa del Sol sunbeds and, last but certainly not the least of it, the ever-growing deification of the boys of ’66.

Ramsden’s book is witty and well observed, but overly and overtly po-faced. In short, he would like us all to grow up and stop making Molesworth-like schoolboy

Ramsden’s book is witty and well observed... In short, he would like us all to grow up and stop making Molesworth-like schoolboy jokes about the Germans.

jokes about the Germans. If only it was as simple as that. After all, no one intelligent is in favour of petty nationalisms. The trouble is it is not just Molesworth; long before the demented man-child was terrorising St Custards with all his brilliant adolescent inanities, the Comte de Mirabeau stated, “*La guerre est l’industrie nationale de la Prusse*” (War is the national industry of Prussia). They have given up on war, but still seem determined to ascend to primacy in Europe by other means. Germany now tries to control its sphere of influence in Central Europe by exercising a not wholly benign form of ‘soft power’ through the agency of a supranational European state with itself at the epicentre. This will continue to create its own problems. Perhaps our attitudes to our German cousins are changing, not least a degree of amicability over a century long football rivalry, after all this is such a very special relationship; but then, perhaps not – though I am a well-known pessimist.

1 Ramsden’s books on the Tories include: 3 volumes in the *Longman History of the Conservative Party* – Volume 4: *The Age of Balfour and Baldwin, 1902-1940* (1978), Volume 5: *The Age of Churchill and Eden, 1940-57* (1995), Volume 6: *Winds of Change: Macmillan to Heath* (1996) together with Ramsden, *The Making of Conservative Party*

Policy: The Conservative Research Department since 1929 (1980), Ramsden, *The Real Old Tory Politics: The Political Diaries of Sir Robert Saunders, Lord Bayford, 1910-1935* (1984) and Ramsden, *An Appetite for Power: A History of the Conservative Party Since 1832* (1998).

2 The ‘World-Island’ refers to the Eurasian landmass or continent. Mackinder was one of the founders of the London School of Economics and its Director from 1903 to 1908.

3 Childers was a Protestant Irishman, with the start of the war he joined the Royal Navy as an Intelligence Officer and was active in the North Sea and Dardanelles. He was awarded the DSO and promoted to Lieutenant Commander by 1916. However, the suppression of the Easter Rising incensed him and Childers became an even more vehement Irish nationalist. Though he was the Secretary-General of the delegation that negotiated the Anglo-Irish Treaty, he rejected the final draft that required Irish leaders to take an Oath of Allegiance to the British King. He was executed for treason by the pro-Treaty Free State government at Beggar’s Bush Barracks, Dublin in 1922.

4 See Daniel Jonah Goldhagen, *Hitler’s Willing Executioners: Ordinary Germans and the Holocaust* (New York: Alfred A. Knopf, 1996); Christopher Browning, *Ordinary Men: Reserve Police Battalion 101 and the Final Solution in Poland* (London: Penguin, 2001) and Raul Hilberg, *Perpetrators, Victims, Bystanders: Jewish Catastrophe* (London, Harper Collins, 1993). These books are also a useful corrective to the John Maynard Keynes Popular Front line presuming the lack of support amongst the German people for the Nazi state.

David Wilson is a Neoconservative member of the Labour Party. He is a frequent contributor to the European Journal and is writing a book on the Congress for Cultural Freedom and the Cultural Cold War.

Europe After the ‘No’ Votes

Professor Patrick A. Messerlin, Institute for Economic Affairs, 2006, 96 pp, £10.00

Reviewed by Carlo Stagnaro

IS THE EUROPEAN DREAM OVER? That is what many thought after the French and the Dutch voted against the proposed European Constitution. In *Europe After the ‘No’ Votes*, Professor Patrick A. Messerlin argues that the rejection of the Constitution shows that the path towards a European

super-state is the wrong one. However, there is still a need for a common economic agenda for the future of the European Union.

Messerlin, an economist at the *Institut d’Etudes Politiques* in Paris, believes that, “*the French referendum makes it clear that*

the hodgepodge of issues referred to during the campaign as the ‘social model’ should remain matters of strictly national competence.” To put it otherwise, the European social model is not European at all – let alone social. People in Member States think that the welfare state, labour

regulations, etc., are their own business and there is no need to harmonise them at the European level. If that is the real message underlying the French 'Non', then it is correct to question the path of intensive and pervasive regulation followed by Brussels over the last few years.

Originally, as evidenced by the Treaty of Rome, the unification of the old continent was a visionary project that set a political goal (peace) to be achieved through economic means (free market). Hence, Messerlin suggests that the liberalisation and integration of European markets into one single market should be taken seriously. That requires common efforts towards reforms, both at the national and European level. The trick is not to take anything for granted. So, Messerlin argues that reform should start with the creation of a single market for goods, which "would exhibit two features: regulations in all the member states would be roughly equally pro-competitive (reflecting intra-EU openness) and they would tend to be less restrictive than those of the other OECD countries (mirroring extra-EU openness)." If Europe is strong enough to pursue the creation of a single market in most sectors, it will gather substantial benefits.

That is true also of the 'sacred cow' of European politics, i.e. agriculture: "if there is one good sector in which the single market's progress depends heavily on multilateral trade opening," says Messerlin, "It is agriculture... The Common Agricultural Policy has systematically prevented the emergence of pan-European farm markets because its subsidies and price supports protect each member state's inefficient

farmers from more efficient ones, be they from foreign countries or from other member states."

Likewise, there is also a lot to do in regard to the single market in services: "the welfare gains to be expected from an open single market in services are huge." The challenge was tentatively addressed by the so-called Bolkestein Directive which faced unprecedented opposition across the Member States. Messerlin writes, "opposition to the Directive is much broader because its wide sectoral scope (a key asset from an economic perspective) has produced heavy political costs by uniting a huge number of monopolies or collusive firms all over Europe." But "opposition to the Directive has focused on the PCO" [principle of country of origin], which is a minor – although crucial – part of the Directive itself.

In Messerlin's view, the future of Europe lies in its ability to return to its fundamental principles. The Union can survive only insofar as it can deliver greater economic benefits to its citizens.

In Messerlin's view, the future of Europe lies in its ability to return to its fundamental principles. The Union can survive only insofar as it can deliver greater economic benefits to its citizens. If instead it micro-manages the market, while meeting the

demand from rent seekers and those willing to defend protected positions, it will ultimately be rejected as people realise they get less benefits than costs from Brussels. The paradox is that "today, nobody in Europe seriously promotes an alternative plan to a market-based economy. But that leaves an endless number of battles on very specific topics that powerful coalitions of NGOs and private vested interests present disingenuously as limits to the market model."

Messerlin's work is followed by three commentaries. Pedro Schwartz, an economist from the Universidad San Pablo CEU in Madrid, argues that the key is "the widening and full application of the freedoms of the Treaty of Rome: the free circulation of persons, services, goods and capital." Former member of the European Commission Lord Brittan of Spennithorne, while generally agreeing with Messerlin, sets forth a few disagreements concerning the possibility of achieving radical reforms in a complex world, where for example countries such as the US deploy sometimes higher tariffs than Europe itself. Historian John Gillingham, from the University of Missouri–St Louis, questions the ability of Member States to work out a common strategy towards reforms: "the only European consensus existing today is on doing nothing... In a globalising world economy driven by Chinese modernisation and American innovation, Europe will simply count for less."

Carlo Stagnaro is Free Market Environmentalism Director of the Istituto Bruno Leoni, Italy's free market think tank – www.brunoleoni.it.

LETTERS TO THE EDITOR

From Sir Oliver Wright

Dear Miss Rainwater,

Congratulations on the conference edition of the *European Journal*. A bumper number if there ever was one. Well done.

Yours,
Oliver Wright

From Professor Antony Flew

Dear Editor,

The case for Gordon Brown as the successor to Tony Blair as Prime Minister might be greatly strengthened if only he would reveal whether and, if so, by what arguments, Tony Blair persuaded him to

agree to the abandonment of the enormous reduction in the amount of the UK's annual contribution to the European Union secured by Margaret Thatcher.

Yours,
Antony Flew

From Dr Charles Hanson

Dear Ms Rainwater,

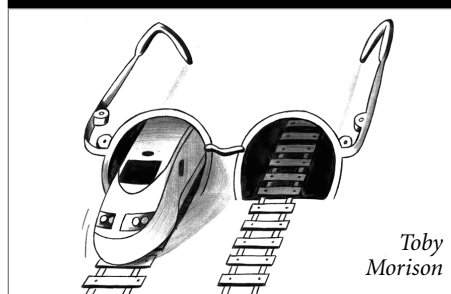
Thank you for including in the last issue of *The Journal* the excellent article by Douglas Carswell, MP, *Why Britain Must Quit the EU*.

At last some of the more intelligent

Conservative Members of Parliament have taken the point made by Margaret Thatcher four years ago in her book *Statecraft*, when she wrote, "as I shall seek to show, Europe as a whole is fundamentally unreformable" (p 321). Douglas Carswell's piece is a refreshing contrast to those who continue to assume that Margaret Thatcher was wrong and that reform is possible, despite the massive accumulation of evidence to the contrary. I hope that we can look forward to more articles supporting the case for our exit from the EU.

Yours sincerely,
Dr Charles Hanson

CHUNNEL VISION



50 Things I Won't Do if Elected Mayor of London

by Dr Lee Rotherham

IT IS CUSTOMARY FOR POLITICIANS TO make five election pledges that they subsequently break. You know the type – education, education, education; no trashing of the NHS; no land wars in the Middle East; that sort of thing.

As a new age politician, here are fifty things instead that you'll never catch me doing if you elect me to the job of Mayor of London.

- 1 Invite Fidel Castro over for tiffin
- 2 Order people not to flush their toilets
- 3 Introduce a window tax for Canary Wharf
- 4 Nationalise garden gnomes
- 5 Invite Ikea to run Tate Modern
- 6 Turn the GLA building into a giant newtarium
- 7 Ban cheeseburgers
- 8 Tow an iceberg up the Thames
- 9 Annex Essex
- 10 Apologise personally for anything done in history, e.g. the Boudiccan Revolt or South Sea Bubble
- 11 Put up a giant statue in Trafalgar Square of a penguin with a banjo
- 12 Send a special envoy to Pyongyang as part of a foreign policy for the capital
- 13 Export for 'inclusiveness' purposes the Notting Hill Carnival to Yellowknife, North West Territories
- 14 Build a hydroelectric dam at Chiswick
- 15 Post the Elgin Marbles to Greece
- 16 Rename Waterloo Station after the indefatigable Mr Saddam Hussein
- 17 Tax beards
- 18 Explore for oil in the wilds of Battersea
- 19 Measure exactly the Square Mile
- 20 Turn the South Bank into a giant Thunderbirds theme park, with revolving shrubbery
- 21 Annoy the Americans unnecessarily
- 22 Dig a moat around the M25
- 23 Sell off Tower Bridge to join London Bridge in Arizona
- 24 Allow Japanese trawlers into the London Aquarium
- 25 Put a windmill on Nelson's Column
- 26 Outlaw Beefeaters on Health and Safety grounds
- 27 Compère a game show
- 28 Use cockney rhyming slang more than official guidelines permit
- 29 Erect a bouncy peace castle on Parliament Square
- 30 Give Oxford Street's pavement a cycle lane
- 31 Take out all the books from the British Library in one big loan and forget to return them
- 32 Put obligatory eel pie on schools' dinners
- 33 Enrich plutonium
- 34 Reemploy the London Dungeon
- 36 Construct a space station in a PPP with Drax Enterprises
- 37 Allow giant apes to clamber up major public buildings
- 37 Instruct Tower Hamlets to join the eurozone
- 38 Arm traffic wardens as an urban paramilitary
- 39 Open a Starbucks in Buckingham Palace
- 40 Initiate a Gumball Rally for stretch limousines down the Old Kent Road
- 41 Build a matching Millennium Dome for the sake of symmetry
- 42 Run a mobile command centre from a bendy bus
- 43 Install a shower at the Diana Memorial
- 44 Attempt to clone the contents of the Natural History Museum
- 45 Privatisise the London Underground to a coal mining consortium
- 46 Sell the ravens at the Tower to an Edgar Allan Poe exhibition
- 47 Move my office across to the conning tower at HMS Belfast and reactivate the ship
- 48 Allow chariot racing around Piccadilly Circus
- 49 Shut down *The Mousetrap* if they refuse to change it to a comedy musical
- 50 Increase the Congestion Charge for performing midgets in exploding clown cars

Dr Lee Rotherham is a declared candidate for the Conservatives' London Mayoral Primaries. The candidate's real policies can be found at www.newstartforlondon.com

THE EUROPEAN FOUNDATION

MISSION STATEMENT: The aims and objectives listed below are summed up in The Foundation's overall policy of 'yes to European trade, no to European government'. We believe that greater democracy can only be achieved among the

various peoples of Europe by the fundamental renegotiation of the treaties of Maastricht, Amsterdam and Nice. The Foundation does not advocate withdrawal from the European Union, rather its thoroughgoing reform.

Objectives

- To further prosperity and democracy in Europe;
- To renegotiate the treaties of Maastricht, Amsterdam and Nice and prevent the ratification of the European Constitution;
- To reform and scale down the *acquis communautaire*;
- To ensure that future member states get a fair deal from EC/EU membership;
- To halt the continuing arrogation of power by the EC/EU;
- To prevent the UK from adopting the euro;
- To contribute as actively as possible to an informed public debate about the future of Europe;
- To liaise with like-minded organisations all over the world;
- To liaise with organisations affected by EC/EU action and policy.

Activities

- Addresses itself to the general public and to politicians, journalists, academics, students, economists, lawyers, businessmen, trade associations and the City;
- Organises meetings and conferences in the UK and in mainland Europe;
- Publishes newsletters, periodicals and other material and participates in radio and television broadcasts;
- Produces policy papers, pamphlets and briefs;
- Monitors EU developments and the evolution of public opinion and its impact on the political process in the EU.

THE FOUNDATION'S HISTORY: The Great College Street Group was formed in October 1992 in order to oppose the Maastricht Treaty. The Group, consisting of politicians, academics, businessmen, lawyers, and economists, provided comprehensive briefs in the campaign to win the arguments both in Parliament and in the country.

The European Foundation was created by Bill Cash after the Maastricht debates. It exists to conduct a vigorous campaign in the UK and across Europe to reform the EC/EU into a community of free-trading, sovereign states. The Foundation continues to establish links with like-minded organisations across Europe and the world.

Subscription Rates & Donations

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